

Company Number: 02557590

Arm Limited
Annual Report and Consolidated Financial Statements
For the year ended 31 March 2022

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Arm Limited
Contents

	Page(s)
Strategic Report	1 to 14
Directors' Report	15 to 20
Corporate Governance Report	21 to 30
Directors' Responsibilities Statement	31
Independent Auditor's Report to the Members of Arm Limited	32 to 35
Consolidated Income Statement	36
Consolidated Statement of Comprehensive Income	37
Consolidated Balance Sheet	38 and 39
Consolidated Statement of Changes in Equity	40
Consolidated Statement of Cash Flows	41
Notes to the Consolidated Financial Statements	42 to 118
Company Balance Sheet	119 and 120
Company Statement of Changes in Equity	121
Notes to the Company Financial Statements	122 to 136

Arm Limited

Strategic Report

The directors present their strategic report for the Arm Limited Group ('the Group', 'Arm') for the year ended 31 March 2022 (FY21). The Group comprises Arm Limited ('the Company') and its subsidiary undertakings.

Review of the business

The principal operations and activities of the Group are the licensing, marketing, research and development of microprocessors, system intellectual property (IP), graphics processors, physical IP and associated systems IP, software and tools.

In February 2021, management committed to a plan to dispose of the Internet of Things Platform ('IoT'), and Treasure Data ('TD') businesses through distribution to SoftBank Group Capital Limited and SVF Holdco (UK) Limited ('SBG') during FY21 and they are classified as held-for-distribution and discontinued operations in these financial statements (note 12). On 25 June 2021, the Group distributed its ownership of the TD business to shareholders and on 30 November 2021 sold its ownership of the IoT business within the SoftBank Group.

On 13 September 2020, NVIDIA signed a definitive agreement to acquire all of the shareholding in Arm Limited from SoftBank Group Capital Limited and SVF Holdco (UK) Limited ('SBG'). However, on 8 February 2022, NVIDIA and SBG announced that they had agreed to terminate the agreement. In addition, SoftBank Group Corp. announced its intention that Arm should start to prepare for a potential IPO.

On 28 March 2022, the Group sold its shareholding of 48.181% in Arm Technology (China) Co. Limited ('Arm China') to another subsidiary of SoftBank Group Corp. Following this transaction Arm retained an indirect ownership in Arm China of 4.818% and continued an equity accounting basis due to significant influence.

The Group's revenues from continuing operations for the year ended 31 March 2022 were \$2,703.5 million (2021: \$2,043.4 million) comprising income from licensing, royalties, development tools and services. The increase in revenue is primarily due to an increase in licensing revenue as Arm's refreshed product portfolio provided customers with the opportunity to sign new technology licenses, combined with an increase in royalty revenue driven by growth in end-markets, and share gains within end-markets, such as 5G smartphones, cloud computing, automotive and networking equipment.

Total operating costs from continuing operations for the year ended 31 March 2022 were \$1,808.2 million (2021: \$1,840.2 million). The following are key impacts for FY21 that, in combination, have resulted in a slight net decrease in costs:

- The net effect of changes to employee remuneration accounting assumptions following the cancellation of the proposed acquisition of Arm by NVIDIA Corporation ('NVIDIA'), combined with the Group's intention to start to prepare for an Initial Public Offering (IPO);
- Effective cost management, especially of overhead costs;
- Higher bonus payments following successfully achieving financial and product-related targets;
- Restructuring costs incurred at the end of the financial year as the business reviewed allocation of resources and future investment.

Profit before tax from continuing operations for the year ended 31 March 2022 was \$805.1 million (2021: \$91.1 million). Loss for the year from discontinued operations for the year ended 31 March 2022 was \$125.3 million (2021: \$181.7 million) (note 12).

At 31 March 2022, the Group had total cash, short-term deposits and long-term deposits of \$1,636.7 million (2021: \$1,298.2 million) and total net assets of \$3,584.1 million (2021: \$3,832.4 million). The Group's net asset reduction on the prior year is driven by the distribution of its direct investment in Arm China. Prior year adjustments impacting the balance sheet of the Group and Company are disclosed in note 1.

Arm Limited

Strategic Report (continued)

Future developments

The Group's stated objective is to establish a global standard for its technology in the semiconductor ecosystem. The directors believe that to achieve this goal it is important to expand the number and range of potential customers for its technology. The Group intends to enter into licence agreements with new customers and to increase the range of new technologies supplied to existing customers. Relationships will continue to be established with third-party tools and software vendors to ensure that their products will operate with the Group's products.

Key performance indicators

The Group's strategy enables key growth drivers that are measured on a regular basis:

Building the base of licences that will drive future royalties: The Group mainly licenses its technology to semiconductor companies, original equipment manufacturers and technology companies. Licence arrangements are typically multi-year and include obligations for the customer to pay Arm a future royalty stream. During the year ended 31 March 2022, the Group saw strong demand for its technology. This demand was primarily due to new products introduced by Arm over the recent year, new business models enabling more customers to access Arm technology, and new customers licensing Arm technology for the first time.

Increasing sales of Arm-based chips and gaining market share: During the year ended 31 March 2022, the Group's customers reported around 29.2 billion chips shipped (2021: 25.0 billion). This year-on-year increase was driven by, among other things, the growth of 5G-enabled smartphones by consumers and increased electronics being designed in new cars. In addition, with demand for computer chips in some segments exceeding supply, the industry witnessed increases in the average selling price of some chips. As Arm's royalty revenue can be a percentage of the selling price of a chip, increasing chip prices can result in increased royalty revenue to Arm.

Investing in the Group's people and systems: Our people design and deliver our products to our customers and support the ecosystem of companies which brings that technology to market. Our goal is to attract talent, from graduates to seasoned industry experts. We invest in our people, developing them and providing a supportive culture to maximise their capability and potential. During the year ended 31 March 2022, the Group had an average of 6,428 employees (2021: 6,893).

Impact of COVID-19 on the industry and Arm's business performance

During 2021, the world continued to be impacted by COVID-19 and its emergent variants, and although many areas introduced temporary local lockdowns this did not have a major impact on the semiconductor industry or on the Group.

Arm and many of its customers have now successfully transitioned to hybrid working, with employees spending part of the week working from home and the remaining time in the office. At the time of writing, the Group's travel policy is permitting only essential travel, both locally and internationally, and is at a fraction of pre-pandemic levels. Although we do expect travel activity and attendance at marketing events to gradually increase, resulting in an increase in Arm's operating expenses, Arm intends to keep employee travel at a much lower level than in 2019, managing both our costs and carbon footprint.

Arm Limited

Strategic Report (continued)

Impact of the conflict between Russia and Ukraine on the industry and Arm's business performance

The ongoing conflict between Russia and Ukraine has had little direct impact on the semiconductor industry and the Group. The indirect effect to the semiconductor industry could be more impactful through the disruption of global supply chains, increased cost of energy and raw materials, and the potential impact to consumer confidence around the world. Arm monitors the long-term demand for its products and will strategise accordingly.

Principal risks and uncertainties

The Group's robust risk management and internal control processes are in place to identify key risks; assign ownership for each risk at a senior management level; identify both existing and planned management activities to mitigate each risk; assess the residual likelihood and impact of each risk; and ensure ongoing monitoring and reporting of each key risk. These risk management and internal control processes have remained in place for the period under review including up until the approval of this report. The principal risks and uncertainties of the Group, which include those of the Company, are:

A change in the industry business dynamic may lead to loss of market share and/or reduction in value of Intellectual Property, or a competitor's product or technology may lead to loss of market share

The Group's technologies and services face significant competition. It is expected that competition will increase as current competitors expand their product offerings, improve their products or reduce the price of their products as part of a strategy to maintain existing business and customers or attract new business and customers, as new opportunities develop, and as new competitors enter the industry. Competition in the industry is affected by various factors that include, among others: original equipment manufacturer concentrations; vertical integration; changes in customer demand, consumption and competition in certain geographic regions; government intervention or support of national industries or competitors; evolving industry standards and business models; evolving nature of computing; the speed of technological change (including the transition to smaller geometry process technologies); value-added features that drive selling prices and consumer demand for end-products.

Arm continues to invest in research and development to ensure technologies continue to offer innovative solutions to customers with multiple features and that drive both performance and lower power consumption.

Significant concentration in customer base, such that the loss of a small number of key customers could significantly impact the Group's growth

In the year ended 31 March 2022, Arm derived approximately 86% of total net revenue from the top 20 customers (2021: 80%). We expect this level of customer concentration of revenue to continue in the foreseeable future.

Arm continually assesses opportunities to broaden its customer base and increase penetration with existing customers through its innovative products, business model and customer support.

Arm Limited

Strategic Report (continued)

Principal risks and uncertainties (continued)

The Group could become a victim of a cyber-attack or an online attempt to defraud the Group

Security breaches, computer malware, phishing and cyber-attacks have become more prevalent and sophisticated in recent years. These threats are constantly evolving, making it increasingly difficult to successfully defend against them or implement adequate preventative measures. Experienced computer programmers, hackers and employees may penetrate security controls and misappropriate or compromise confidential information, including that of employees or third parties. These attacks may create system disruptions or cause shutdowns. These hackers may also develop and deploy viruses, worms and other malicious software programs that attack or otherwise exploit security vulnerabilities in the Group's products. For portions of Arm's IT infrastructure, including business management and communication software products, the Group relies on products and services provided by third parties. These providers may also experience breaches and attacks to their products which may in turn impact Arm's systems. Data security breaches may also result from non-technical means, such as actions by an employee with access to the Group's systems. Actual or perceived breaches of security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about Arm, its partners, customers or third parties could expose the Group and the parties affected to a risk of loss or misuse of this information, resulting in litigation and potential liability, paying damages, regulatory inquiries or actions, damage to brand and reputation or other harm to the business.

Arm has invested significantly in its cyber security capability across prevention, detection and response capability in recent years to ensure Arm has appropriate cyber resilience. This commitment remains as we continuously review the threat and risk environment and make decisions and investments to minimise the risk of a cyber-attack materialising. This includes, but is not limited to, ensuring we have a security aware colleague population, reviewing and improving our security controls both from a governance and technology perspective as well as partnering with industry leading partners for expert skills and capabilities. In addition, Arm has 24/7 detect and response capability should a cyber-attack materialise to ensure we're able to rapidly respond and minimise impact and disruption to the organisation. Furthermore, we simulate and stress-test major cyber incidents to contribute towards our cyber readiness capability, the learnings of which are implemented as part of a continuous improvement.

The Group may have to assert IP rights against infringers or defend itself against third parties who claim that Arm has infringed their proprietary rights

Arm's success and ability to compete depend significantly on protecting its intellectual property. Litigation brought to protect and enforce Arm's intellectual property rights could be costly, time-consuming, and distracting to the Group's business operations and could result in the impairment or loss of portions of Arm's intellectual property.

The Group maintains and supports an active programme to protect its intellectual property, primarily through the filing of patent applications. The Group further may have to defend its products in litigations brought by third parties who claim that such products infringe third-party IP rights.

Arm Limited

Strategic Report (continued)

Principal risks and uncertainties (continued)

The Group may have difficulty in attracting and retaining quality engineering personnel, which could limit the Group's research and development capability

Arm's future success depends largely upon the continued service of key management and technical personnel, and on the ability to continue to identify, attract, retain and motivate them. Implementing the Group's business strategy requires specialised engineering and other talent, as Arm's revenues are highly dependent on technological and product innovations. The market for employees in the industry is very competitive. A number of competitors for talent are significantly larger than the Group and may be able to offer compensation in excess of what Arm is able to offer. Further, existing immigration laws in certain countries can make it more difficult for the Group to recruit and retain highly skilled foreign nationals.

Arm's recruitment, compensation, talent development and performance assessment programmes are designed to help attract and retain quality engineering and management personnel.

The Group could suffer a loss of revenue, or an increase in costs, as a result of the impact of geopolitical factors, such as international trade disputes, which limit the Group's ability to transact with customers in certain jurisdictions

Arm's revenue is generated from customers located in several jurisdictions and a substantial portion of assets and employees are located in the UK and the US. Risks associated with international operations, any of which could have a material adverse effect on business, liquidity, financial condition and/or results of operations, include:

- political instability and the possibility of a deteriorating relationship between the nations in which Arm does business;
- the imposition of new or modified international trade restrictions, tariffs, import and excise duties or other taxes which may impact end customer demand or disrupt supply chains;
- import and export requirements, including restrictions on sales to certain end customers;
- restrictions on foreign ownership and investments;
- restrictions on repatriation of cash;
- changes to tax legislation changes in local political, economic, social and labour conditions;
- a less developed and less certain legal and regulatory environment in some countries, which, among other things, can create uncertainty regarding contract enforcement, IP rights and liability issues; and
- inadequate levels of compliance with applicable anti-bribery laws, including the Foreign Corrupt Practices Act, the UK Bribery Act of 2010; and
- fragmentation of the global semiconductor market, as certain countries want more end-to-end control of architecture, leading to increased architectural fragmentation and a reduced role for a global architecture.

Any changes to the international trading system, or the emergence of an international trade dispute, could significantly impact the Group's business and have a negative impact on revenues. For example, the current US tariffs on China-origin goods and the related geopolitical uncertainty between the US and China have caused, and may continue to cause, decreased demand for products that include Arm's technologies, which could have a material adverse effect on business, liquidity, financial condition and/or results of operations.

Arm has installed a rigorous compliance programme to ensure adherence to various trade laws.

Arm Limited

Strategic Report (continued)

Section 172(1) statement

In this section, the directors report how they have discharged their duties under Section 172(1) of the Companies Act 2006 ('Act'), having had regard to factors (a) to (f) under Section 172(1) of the Act in their decision-making during the year ended 31 March 2022 ('FY21'), as well as the proposed plans for the future.

Since the board identified the Company's key stakeholders in FY19, it has continued to monitor and assess the effectiveness of related stakeholder engagement activities, as described in this Section 172(1) statement and the section below entitled '*Corporate Governance Report – Principle 6*', including a discussion of the impact of stakeholder engagement on key decisions taken and related outcomes. The Company's FY19 and FY20 Annual Reports are available at: <https://find-and-update.company-information.service.gov.uk/company/02557590/filing-history>.

The board regularly receives reports from internal committees, as well as regular briefings by the Chief Executive on key stakeholder engagement, aiding the board's discharge of its collective, and each director's individual, duties, further maturing the Company's healthy system of internal controls, providing a steady flow of information to the board, with appropriate governance and risk management oversight. Further details of the Company's committees are provided in the section below entitled '*Corporate Governance Report – Principle 3*'.

While day-to-day responsibility for operating the Company rests with the Chief Executive and the Executive Committee, composed of members with the appropriate skills and expertise to operate all areas of the business (as also discussed in the section below entitled '*Corporate Governance Statement – Principle 2*'), the board oversees and engages with these and other board-level activities in accordance with the Company's internal controls and procedures, including but not limited to: making key decisions on certain reserved and other material and strategic matters; and engagement with the Company's stakeholders. In its decision-making process, the board has regard to and considers the Company's stakeholders and their interests as a matter of course and through the corporate governance reports and stakeholder engagement updates in respect of each board meeting of the Company.

The corporate governance reports include a stakeholder engagement dashboard updated at least quarterly through formally established and carefully designed procedures and best practices for collecting stakeholder feedback and engagement, providing the board appropriate updates regarding, and oversight of, the Company's stakeholder engagement. The board leverages its collective experience and such reports in its decision-making process. Newly appointed directors of the Company undergo training in respect of the mentioned duties and obligations of the directors, as is the board of any material shifts in statutory obligations and best practices in respect of the same.

The Company's board reserved matters are currently under review (intended to complete in FY22) in connection with the Company's continuous review of its corporate governance practices and policies. Reserved matters include matters having a material impact on the Company and the wider Group relating but not limited to strategy, structure and capital allocation, financial reporting and controls, material contracts and investments, board membership, and senior appointments and remuneration.

Arm Limited

Strategic Report (continued)

Section 172(1) factor	Board decisions/activities
(a) The likely consequences of any decision in the long term and (e) The desirability of the Company maintaining a reputation for high standards of business conduct	The board develops and agrees an annual budget as well as the Company's strategic long-term goals, as discussed throughout the section entitled '<i>Corporate Governance Report</i>' and this Strategic Report, with the FY22 annual budget approved at the end of March 2022. Due consideration is given to long-term effects and external factors such as competition, technological developments and economic, market and political conditions as well as environmental factors, as also discussed in this section and the section entitled '<i>Corporate Governance Report</i>'. Prior to the termination of the proposed acquisition of the Company by NVIDIA, the board carefully monitored Arm's compliance with the terms of the proposed acquisition, the progress of the regulatory process, and the impact of the proposed acquisition on Arm's stakeholders. The Company's shareholders, SBG, and NVIDIA terminated the proposed acquisition on 8 February 2022 (Tokyo, Japan) as discussed in the press release of the same date by the ultimate parent company of the SoftBank group, SoftBank Group Corp. ('SoftBank'), which is available at: https://group.softbank/en/news/press/20220208. The same press release contemplated the public listing of the Company. There can be no assurance that Arm will complete such a public listing by the designated date or another date, or of the terms on which any such a public listing may be effected. The board will continue to evaluate governance changes that may be required as a result of the above. In March 2022, the Company transferred all but a nominal and non-active minority interest in the equity of Arm Technology (China) Co., Ltd. (安谋科技(中国)有限公司) to a subsidiary of SoftBank, for consideration determined with reference to a third-party valuation. Over the course of FY21 and to strengthen the Company's focus on growth and profitability in its IPG (as defined below) business, the Company transferred certain of its business lines to Arm's shareholders as described in the section below entitled '<i>Corporate Governance Report – Principle 1</i>'. During FY21, the COVID-19 pandemic continued to have a significant impact on employees' lives and working conditions as with the global economy as a whole. Accordingly, the board has considered the long-term implications of the pandemic and supported the Company's quick response in prioritising the health and safety of its employees globally while complying with new COVID rules, regulations and restrictions as they were introduced and as where and when revised in each jurisdiction Arm actively operates in. In response to the pandemic, Arm's offices were closed worldwide for a period of time with access permitted on a needs-only basis, and the entire organisation moved to fully remote working. The Company considered the long-term consequences of a continuous remote working environment together with the impact of COVID restrictions on social interaction, schooling and family life. This led to development and implementation of specific

Arm Limited

Strategic Report (continued)

	initiatives with the long term welfare of Arm's employees at the heart of each and the board's decision-making processes in respect of the same, such as: • Weekly email updates directly from the Chief Executive focusing on the pandemic and how it was impacting both the Company and the wider economy and technology sector. • Increase in IT support and other COVID-support resources to facilitate work from home arrangements. • Tips and guides around working from home, including a dedicated informational intranet site. • Organising a Mental Health Awareness Week in May 2021. • Launching the Company's 'Wellbeing Hub'. • Regularly publishing Unmind's content, providing resources on maintaining and encouraging positive mental wellbeing, among other inspirational content. • Designating Days of Care on which the entire organisation shuts down, allowing all employees to take paid leave at the same time. • Providing guidance and training to managers on helping and supporting their team members in a remote working environment. • Running focus groups, learning sessions and undertaking 'pulse' surveys to understand how Arm's workforce felt during the pandemic and to identify appetite and demand for new ways of working from emerging trends. The Company developed a return to office (RTO) strategy, designed to allow employees to return to the office safely as and when the pandemic eases and government restrictions are lifted in each jurisdiction where an Arm office is located. Through the course of the pandemic, different forms of employee engagement and communication activities were developed such as global and regional ask me anything sessions, all hands meetings, webpages, email messaging and FAQs to explore and outline the varying approaches to RTO per site. The emergence of the Delta and subsequent Omicron variants as the prevalent strain of COVID-19 in the second half of 2021 and beginning of 2022, caused a spike in infections, imposition of regional restrictions, mask mandates and general employee nervousness about returning to the office. As a result, the RTO plan was promptly adjusted to delay the RTO plan in some locations, enabling those who had a need to return to the office to do so with appropriate safeguards in place, whilst enabling the remainder of the workforce to continue working from home. These adjustments were well received by employees as shown by the results of employee pulse surveys and direct manager and leader feedback from teams. Recent feedback from pulse survey and all hands meetings is showing positive acceptance of the current approach towards RTO with appreciation of the honest and open tone in communicating to leaders, managers and the general employee population. In order to maintain high standards of business conduct, through the leadership and oversight of the board, the Company continues to maintain various compliance policies, including the Code of Conduct, the Supplier Code of Conduct, the Anti-Bribery & Corruption Policy and the Whistleblowing Policy. These policies are maintained and reviewed by the Compliance
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Arm Limited

Strategic Report (continued)

	Committee and any changes or updates to them are reported up to the board following or prior to such changes or updates being made. Copies of the mentioned codes of conduct, among other related Company and Group reports, are available at: https://www.arm.com/company/sustainability/read-our-reports. In addition, Gender Pay Gap analysis was conducted for the Company and the associated report was published on GOV.UK in April 2022 in compliance with annual statutory reporting obligations, a copy of which is available at: https://gender-pay-gap.service.gov.uk/Employer/34DrknTQ. Pay equity continues to be an area of active focus for the Company, and annually the Company analyses the factors that drive gender pay globally, creating a statistical model to calculate the expected salary for all individuals based on those factors. In the past two years, as a result of Arm's initiatives on pay equity, Arm has not had a statistically significant difference in pay by gender or by ethnicity on a global basis. This is supplementary to a whole company bi-annual calibration review to ensure promotion rates, pay increases, bonuses, and other factors are appropriately managed across groups and countries. During FY21, the Executive Committee reviewed the outcome of the pay equity analysis and calibration exercises, and areas for additional deeper analysis were agreed, including the addition of time-series analysis. Further information on the Company and Arm's pay equity initiatives are available at: https://www.arm.com/company/sustainability/read-our-reports. In addition, for the third consecutive year the Company was named one of the World's Most Ethical Companies by the Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices. The World's Most Ethical Companies Award measures and compares companies in many categories including: • Ethics and Compliance Programme • Ethical Culture • Environmental and Social Impact • Corporate Governance • Leadership
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Arm Limited

Strategic Report (continued)

(b) The interests of the Company's employees	The board fully recognises the importance of the Company's workforce, and all employees are actively encouraged to provide feedback, report concerns and raise questions through multiple channels, as further described and detailed in the section below entitled '<i>Corporate Governance Report – Principle 6</i>'. Heightened engagement measures with employees in response to the COVID-19 pandemic are also described directly above. Following the announcement of the proposed acquisition of the Company by NVIDIA in FY20, the Company continued through FY21 to consider the likely impact of the proposed acquisition on the Company's key stakeholders, including the Company's workforce. The intranet portal, which was set up in FY20 to provide information to employees and an internal networking channel where employees could ask questions related to the proposed acquisition, was well used and had approximately 2,880 members. Additionally, feedback on the NVIDIA acquisition was collected as part of the Life at Arm survey, which was conducted in June 2021 (for further detail on the survey, please see section below entitled '<i>Corporate Governance Report - Principle 6 – Employees</i>'). In turn, key feedback obtained from such engagement was shared with the board in the stakeholder dashboard and the corporate governance report. Please see the sections below entitled '<i>Corporate Governance Report - Principle 6</i>' for further detail and for information on other key employee engagement activities during FY21.
(c) The need to foster the Company's business relationships with suppliers, customers and others	At each scheduled board meeting, the board reviews data and feedback from key stakeholder engagement activities with customers, suppliers, employees and public organisations, as well as stakeholder communications regarding the proposed acquisition by NVIDIA (prior to termination of the proposed acquisition in February 2022). The board has access to a corporate governance report ahead of scheduled board meetings, which describes stakeholder engagement activities and outputs in the period since the last board meeting and enables the board to take into account up-to-date stakeholder views when making decisions. Using this information, the board and executive management are able to identify and carefully consider the interests of stakeholders who may be affected by key decisions and reflect on how such interests should be taken into consideration strategically as part of the board's decision-making process. Please see the section below entitled '<i>Corporate Governance Report – Principle 6</i>' for further detail of key stakeholder engagement activities during FY21, the impact of engagement with stakeholders on decision-making and the actions Arm has taken or plans in response to such feedback.
(d) The impact of the Company's operations on the community and environment	The board continues to support Arm's ongoing Social Impact and Innovation approach, which includes collaborations with global organisations such as the United Nations Children's Fund (UNICEF) and GAVI, The Vaccine Alliance (GAVI), organisations delivering impact at scale, as part of the Company's sustainability strategy. Alongside this, the board supports the Company's local community engagement and support through philanthropic contributions and community projects. These activities are currently coordinated and

Arm Limited

Strategic Report (continued)

	implemented by Team Arm, the Company's employee community engagement programme. Globally, the Company's social impact partnerships – like those described above – have directly and indirectly benefited millions of people. For example, Arm's contribution to UNICEF's messaging platform, U-Report, supports UNICEF's engagement with 13 million young people across 76 countries, despite COVID-19 challenges. Arm's partnership with GAVI is supporting last mile delivery and verification of COVID-19 vaccines in regions of the world where vaccine access is difficult. Additionally, Arm enables opportunities for young professionals to develop solutions that are relevant to Arm and have a broader application that contributes to the Sustainable Development Goals (SDG), such as through the United Nations (UN) Global Compact SDG Young Innovators programme, with two Arm teams participating in the US and UK during FY21. The Company also identifies and curates opportunities for Arm employees to use their skills for good. For example, as part of Global Goals Week 2021, 127 colleagues joined three humanitarian mapping sessions hosted by Humanitarian OpenStreetMap to map over 16,000 as-yet-unmapped locations for UNICEF and the International Technology University's (ITU) school connectivity initiative, Giga. Additionally, engagement with FIRST (For Inspiration and Recognition of Science and Technology), a global robotics community preparing young people for the future, continued in FY21. Due to the ongoing global pandemic, the Company's work with FIRST has moved to delivery through an online platform. This has allowed students to continue their participation and Arm people to continue their volunteering support. For example, over 30 UK colleagues are now mentoring FIRST student teams. Arm's 2021 partnership with Uptree culminated with five virtual work experience events taking place across Arm's Cambridge, Manchester, Warwick and Sheffield offices. Throughout FY21, Uptree enabled Arm to meet with almost 800 sixth form students from underserved and underrepresented backgrounds (41% female, 17% in receipt of free school meals, and 48% from Black, Asian or minority ethnic backgrounds). In October 2021, the Company extended its COVID-19 response support by joining a global movement, Go Give One, created by the WHO Foundation of the World Health Organization, to help address vaccine inequity around the world. The campaign goal was for everyone, everywhere, to donate \$5 (or more) to help provide vaccines to those who need them most and deserve access. The money raised went to GAVI's COVAX AMC, which funds COVID-19 vaccines for lower-income countries. The Company offered to match \$100,000 of employee donations over five weeks, starting at a 5:1 match. Every week, the matching rate dropped, so week two saw a 4:1 match, and so on. Thanks to the generosity of colleagues, Arm's matching budget was fully utilised within two weeks of the campaign and, overall, Arm raised \$133,420 from 656 colleagues, equating to 26,684 vaccines for those who need them most.
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Arm Limited

Strategic Report (continued)

	In 2020, the Company committed to achieve net zero carbon in its operations by 2030, aiming to cut absolute emissions from the Company's business operations by at least 42% (from a 2019 baseline). As part of the net zero commitment, by 2030 the Company aims to: • Source 100% renewable electricity; • Achieve 20% absolute reduction in energy use; • Achieve 7% absolute reduction in emissions from travel for work; • Further engage with the Company's supply chain to set sustainable procurement targets; • Continue to support and drive innovation in nature and tech-based carbon sequestration solutions; and • Empower Arm's people to make low-carbon choices. The Company also updated its sustainability framework, centring on: (i) decarbonising compute to help improve efficiency while minimising its environmental impact; (ii) closing the digital divide to extend the reach of the Company's technology to connect everyone, everywhere; and (iii) enabling global problem solvers to build responsible technologies that empower diverse innovators and nurture the diverse perspectives necessary to solve complex global challenges. Additionally, in FY21, the Company announced a pledge to support Global Goal #9: Industry, Innovation and Infrastructure. This was made as part of the Global Goals Business Avenger initiative comprised of Arm alongside 16 of the world's largest and most influential companies committed to playing a significant role in achieving the Global Goals by leveraging the internal and external reach of each member's respective organisation to promote the importance of the Global Goals as a framework. Global Goal #9 aims to ensure that economic growth goes hand in hand with a sustainable future for all, by championing resilient infrastructure, promoting sustainable industrialisation and fostering innovation. The Company is in a unique position to target this goal through its sustainability strategy that aims to leverage its expertise in low-power compute to connect everyone, everywhere while driving down carbon emissions. As the Company expanded its ESG activities and approach, the development of the Company's Sustainability Committee paused in FY21 and was set to resume in FY22. For further detail and information on Arm's sustainability initiatives, please see other sections of this Strategic Report and the Company's various sustainability reports and related initiatives available at: https://www.arm.com/company/sustainability. Please also see the section below entitled 'Corporate Governance Report' for further details.
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Arm Limited
Strategic Report (continued)

(f) the need to act fairly between members of the Company	The Company has two shareholders who are represented at the board by non-executive directors appointed by them. By virtue of such representation: (i) the shareholders are treated with transparency and integrity in terms of information and reporting; and (ii) the shareholders benefit from direct interaction and engagement with the board and the Executive Committee, ensuring that their views and interests are considered fairly during board meetings, as also described at the beginning of this Section 172(1) statement.
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Arm Limited

Strategic Report (continued)

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of signing of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Management acknowledge the significant economic impact of COVID-19 pandemic and the additional level of uncertainty it has introduced, however, the impact was not significant in the forecasts prepared that support the going concern assumption and represent management's best estimates of future events with sufficient headroom to conclude a going concern assumption without a material level of uncertainty.

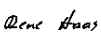
In March 2022, a subsidiary of Arm's ultimate parent company entered into a facility agreement with financial institutions to borrow \$8.0 billion, providing 75.01% of Arm shares as collateral. The facility loan arrangement caused the immediate parent company of Arm Limited to change from SoftBank Group Capital Limited to Kronos Holdco (UK) Limited and then subsequently to Kronos I (UK) Limited.

As of 31 March 2022, the term facility loan was \$7.1 billion and the bridge facility loan \$0.9 billion. The term facility loan is to be repaid in full on maturity, which is the earlier of the date falling three months after the effective date of the listing of Arm and 24 months after the borrowing of the term facility loans. On 24 June 2022 an amendment letter expanded the total commitment to \$8.5 billion via an additional term facility of \$1.4 billion, \$0.9 billion of which was used to repay the bridge facility with the remaining \$0.5 billion representing incremental debt.

75.01% interest in the Company is pledged as collateral for the facility. A springing guarantee, naming Arm as the guarantor, becomes effective on the triggering event of material breach or misrepresentation, an IPO not occurring within 18 months of 31 March 2022 or such intention being announced. On trigger, future events of default fall to the Company. The guarantee terminates at the earlier of an IPO event or the facility being paid or discharged.

The guarantee obligation for the Arm Group exposes Arm to credit risk with a maximum exposure which the Group could have to pay if the guarantee is called upon is \$8.5 billion as at the authorisation date of these financial statements. Management's estimation of the probability of events triggering the guarantee and resulting in a cash outflow from Arm or transfer of Arm shares is remote and does not cast significant doubt over the going concern assumption.

Approved by the Board of Directors and signed on its behalf by:

DocuSigned by:

F1F09375F1BE489

R Haas
Chief Executive Officer

Date: 30 March 2023

Arm Limited

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2022.

Future developments

Details of future developments can be found in the Strategic Report.

Events after the balance sheet date

Details of significant events after the balance sheet date are disclosed in note 34. Resolution of the Arm China corporate governance issue after the balance sheet date is detailed in note 19.

Research and development

Development of IP is at the heart of the Group's activities and the majority of the Group's workforce is employed in engineering activities. Within this, research and development (R&D) is of major importance and, as part of its research activities, the Group collaborates closely with universities worldwide.

Key areas of product development include the development of further energy-efficient, high-performance processors. The Group is investing in future physical IP development including low-power, low-leakage technologies for a range of chip manufacturing processes, to ensure leadership in this market. In addition, the Group will continue to develop and deliver tools, graphics processors and system IP to enable its customers to design and program SoCs (System on Chip).

The income statement continuing operations charge for the year ended 31 March 2022 for R&D was \$915.2 million (2021: \$886.7 million).

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts to hedge foreign currency exchange rate risk.

The majority of interest-bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

The Group's principal financial assets are bank balances, and trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of expected credit losses.

Arm Limited

Directors' Report (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Other than certain balances with Arm China (note 35), the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the Group's policy is to maintain balances of cash and cash equivalents, and short- and long-term deposits and similar instruments, such that the highly liquid resources exceed the Group's projected cash outflows at all times.

Dividends

The directors approved an interim dividend to shareholders of \$828.6 million during the year ended 31 March 2022 (2021: \$750.0 million).

Directors

The directors, who served during the year and up to the date of approval of the financial statements, unless stated otherwise, were as follows:

Y Al-Rumayyan (resigned 21 June 2022)

M Claire (resigned 7 February 2022)

K Dykstra (appointed 16 September 2022)

A Fadell (appointed 16 September 2022)

R Fisher

R Haas (appointed 7 February 2022)

P Jacobs (appointed 1 December 2022)

R Misra (resigned (22 June 2022)

A Naheta (resigned 7 February 2022)

R Schooler (appointed 1 December 2022)

S Segars (resigned 7 February 2022)

J Sine (appointed 7 September 2022)

M Son

Arm Limited

Directors' Report (continued)

Directors' indemnities

The Company made qualifying third-party indemnity provisions for the benefit of its directors (which extends to the performance of any duties as a director of an associated company) subject to the conditions set out in the Companies Act 2006 and these remain in force at the date of this report.

Employees

Employee involvement in the Company is encouraged to achieve a common awareness on the part of all employees of the financial and economic factors that affect the performance of the Company. Further details of the Company's employee engagement activities have been provided in the section above entitled 'Corporate Governance Report – Principle 6 – Stakeholders'.

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of gender, sexual orientation, marital or civil partner status, gender reassignment, race, colour, nationality, ethnic or national origin, religion or belief, disability or age.

Engagement with suppliers, customers and others

Information in respect of how the Group engages with suppliers, customers and others is contained within the Corporate Governance report.

Arm Limited

Directors' Report (continued)

Streamlined Energy and Carbon Report (SECR)

This report focuses on the Energy and Carbon indicators mandated by the SECR. The reporting period is the year ended 31 March 2022 (FY21). We have reported on all sources of GHG emissions and energy usage as required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

Energy usage

Energy use (kWh)	Year ended 31 March 2021 (FY20)	Year ended 31 March 2022 (FY21)
Transport ¹	29,143	34,466
Electricity	11,586,437	22,790,000
Gas Oil	N/A	N/A
Natural Gas	4,663,533	5,418,000
Total	16,279,133	28,242,466

Carbon emissions

CO ₂ emissions (tCO ₂ e)	Year ended 31 March 2021 (FY20)	Year ended 31 March 2022 (FY21)
Emissions from combustion of gas (Scope 1)	—	—
Emissions from combustion of fuel for transport purposes ² (Scope 1)	3.2	-
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2)	270.0	45.33
Emissions from business travel in Company-owned vehicles or employee-owned vehicles where Company is responsible for purchasing the fuel ³ (Scope 3)	4.1	8.48
Total	277.3	53.81

Intensity ratio

CO ₂ emissions (tCO ₂ e)	Year ended 31 March 2021 (FY20)	Year ended 31 March 2022 (FY21)
Emissions from electricity and gas (premises related only) per full time employee (FTE)	0.07	0.01

Methodology

Energy figures are based on data from all UK sites⁴ and includes electricity and gas where applicable. Output is in kilo watt hours (kWh).

¹ Excludes hire vehicles.

² Includes Company-owned vehicles only.

³ Excludes hire vehicles.

⁴ Arm has no UK offshore sites.

Arm Limited

Directors' Report (continued)

The carbon emissions figures are calculated in accordance with the Greenhouse Gas (GHG) Protocol and outputs are in tCO₂e using the most up-to-date conversions factors from the Department of Business, Energy & Industrial Strategy (BEIS). Carbon emission figures are premise-related only (gas and electricity) and market-based figures are used where applicable. We have followed the 2019 UK Government environmental reporting guidance. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2021 to calculate the above disclosures.

Arm uses a Sustainability Reporting portal by Ecometrica to calculate emission figures. Please refer to: <https://ecometrica.ourimpacts.com>

Trends

As can be seen from the tables above, the Company's energy consumption increased across all categories between FY20 and FY21. Energy use in FY20 was significantly reduced because of the COVID-19 pandemic making the comparison of FY21 figures to FY20 figures appear more dramatic. However, the table above also shows that despite the Company's increase in energy consumption between FY20 and FY21 its carbon emissions decreased. This is due to a significant increase in the percentage use of renewable energy.

Environmental performance

In 2020 Arm committed to reducing absolute GHG emissions by 42% and to become net zero carbon by 2030 across all emissions sources (scopes) in line with a 1.5°C pathway and the Paris Agreement. This is a global commitment across all countries of operation including the UK.

In FY21, year two of this commitment period, Arm achieved a 90% reduction against baseline for this global commitment. Whilst we anticipate some emissions rebound in future years as the COVID-19 pandemic restrictions continue to lift, the changes to processes, policies and infrastructure we have put in place should keep us on track to meet this target by 2030 even as we grow.

We have set individual targets across the different scopes and emissions categories to deliver our net zero commitment by 2030 across all geographies where we operate including the UK, including:

- To source 100% of electricity consumption from renewable sources by end FY22 and achieve RE100 status
- To reduce absolute emissions from supply chain by 42% by FY29
- To reduce absolute emissions from business travel by 7% by FY29

Arm Limited

Directors' Report (continued)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's and the Group's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's and the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:

DocuSigned by:

F1F09375F1BE489

R Haas
Chief Executive Officer

Date: 30 March 2023

Arm Limited

Corporate Governance Report

Since FY19, the board has been applying and reporting against The Wates Corporate Governance Principles for Large Private Companies (the 'Wates Principles'). Throughout FY21, the directors evaluated how the Company will build upon its application of the Wates Principles and engagement with its stakeholders, including and as also described in this Corporate Governance Report:

- Monitoring legal and socio-environmental-political developments in ESG.
- Identifying principal decisions of the board and the impact of stakeholder engagement on such decisions, with reference to a stakeholder engagement dashboard.
- A detailed review of board composition and activities by the Company's Audit Committee with proposed recommendations for the board's consideration, including refreshed and already approved terms of reference for certain committees of the Company (see '*Principle 2*' below).

Principle 1 – Purpose and leadership

The Company articulated its 'Purpose' and consolidated it with the existing Vision and Mission statements at an all hands call in FY20. These statements, including Arm's Sustainability Mission, inform and drive the long-term decision-making of the Company:

- **Purpose:** bringing brilliant people together to unlock the power of technology and spark the world's potential.
- **Vision:** technology that invisibly enables opportunity for a globally connected population.
- **Mission:** to deploy secure, energy efficient Arm-based technology wherever computing happens.
- **Sustainability Mission:** to use Arm partnership business model to ensure Arm technology helps to realise the Global Goals⁵.

In addition, the Company's values and culture are captured in a single set of 'Core Beliefs' which are communicated and applied by the Company and across the wider Group on an ongoing basis. We not I, Passion for progress and Be your brilliant self. Together, they fully articulate the uniqueness of Arm's culture. By embracing the Core Beliefs, the Company aims to create a workplace where each employee adds more value and, ultimately, increases the Company's competitive advantage. To continue building a workplace that the Company is proud of, an annual employee engagement survey is run. In FY21, the employee engagement survey was conducted after 15 months of living through the COVID-19 pandemic, with many colleagues working from home and managing complex work-life dynamics. This engagement allows the board to monitor culture and maintain unity under a single set of principles and helps the board to deliver effective leadership and direction, which ultimately increases the competitive advantage of the Company. Please see section below entitled '*Principle 6 – Stakeholders*'.

In FY21, the Company transferred certain non-core businesses to its shareholders to enable Arm to focus on its core IP licensing business, known as the IP Products Group (IPG). On 25 June 2021, the Company completed the transfer of its Treasure Data business, a customer data platform business. On 30 November 2021, the Company completed the transfer of its Internet of Things platform, which consisted of the Kigen and Pelion product lines of business. In transferring these businesses to Arm's shareholders, Arm took into consideration the interests of employees, customers and suppliers of Arm as well as these businesses to minimise disruption and enable the businesses to continue their growth and evolution under the ownership of Arm's shareholders.

⁵ Officially known as the UN Goals for Sustainable Development.

Arm Limited

Corporate Governance Report (continued)

As described in the section above entitled '*Strategic Report – Section 172(1) statement*' and as part of the decision-making process of the board, the board considers any potential conflicts of interest in the ordinary course of the board's activities, as with the impact of its decision-making processes on stakeholders.

Principle 2 – Board composition

At the end of FY21, the board consisted of four non-executive directors and one executive director. The four non-executive directors who represent the shareholders' interests all have business, corporate, finance and investments expertise in the technology industry. The executive director was replaced following the appointment of a new Chief Executive on 7 February 2022 as an internal successor to the previous Chief Executive. The executive director has been in the semiconductor industry for over 35 years and has technical, business, commercial and managerial expertise in the field. The executive director has been with the Company for nine years and has also served as the Company's president for the previous five years.

The roles of Chairman and Chief Executive remain separate, ensuring an appropriate division of responsibility, accountability and decision-making within the board.

The board of the Company through FY21 had a balance of expertise and skill, and the board collectively demonstrates a high-level of understanding relevant to the Company's business needs and stakeholder interests. The directors were from a wide variety of ethnic backgrounds/nationalities, including Korean-Japanese, American, Middle Eastern and British origin/nationality, though there remains a lack of gender diversity.

The board continues to have access to a wide pool of talent and resource, including professional support. The Executive Committee supports the board through the Executive Committee's day-to-day management of the Company and retains a diverse range of skill sets and experience and a good balance of gender and ethnic diversity. The Company's directors and all employees are subject to Arm's compliance policies including, among others, the Code of Conduct and the Anti-trust and Anti-bribery and Corruption Policies, with additional information, support and training available to them. As part of Arm's corporate governance journey, the board composition remains under review.

In February 2021, the outgoing Chief Executive, on advice of the Company's General Counsel, conducted a review of the appropriateness and the effectiveness of Arm's board composition. Following this review, the board approved the design and implementation of a step plan to deliver more effective corporate governance in FY21 and beyond. As part of this step plan and in FY21, the following actions were taken:

- Preparing a board induction pack, setting out information in relation to, among other things, directors' duties, statutory reporting, the Company's governance framework, delegated authority and reserved matters.
- Review of, and approving updates to, the terms of reference of the Company's Sub-Committee, Audit Committee and Remuneration Committee.
- Review of the Company's board reserved matters, the outcome of which is anticipated to be formally considered during FY22.

The step plan also included other actions proposed for FY22 and beyond, such as:

- Developing a policy document on nominations of appointment to the board.

Arm Limited

Corporate Governance Report (continued)

- Reviewing processes to evaluate the board's effectiveness, including other additional materials appropriate for inclusion in board packs and additional training that may be required as a result of ever evolving legal and cultural changes.

Please see the section below entitled '*Corporate Governance Report – Principle 6*' for details of the Company's diversity, equity and inclusion (DEI) strategy.

Principle 3 – Directors' responsibilities

The board maintains oversight of the Company's activities through appropriate delegation, governance controls and reporting processes. In advance of each board meeting, the Chief Executive and General Counsel prepare a board pack that includes a briefing paper on director duties, a stakeholder engagement report and other pre-read materials prepared by executive management teams, as also described in '*Strategic Report – Section 172(1) statement*'. As the board's composition remains under review, a more detailed assessment of the Company's application of Principle 3 is ongoing.

In addition, there are a number of board committees and other committees which oversee different areas of the Company's governance as described in the '*Strategic Report*' and '*Directors' Report*' of the Company's FY19 Annual Report (a copy of which is available at: <https://find-and-update.company-information.service.gov.uk/company/02557590/filing-history>).

The Audit Committee is also required to assess and confirm its own independence at least annually through an independence questionnaire that examines the nature of the committee members' relationship with the Arm group.

In order to maintain high standards of business conduct, through the leadership and oversight of the board, the Company has implemented, maintains, and monitors compliance with, various policies relating to the internal affairs of the Company and the wider Group. The board also approved and adopted a modern slavery statement for FY21 specifying the efforts taken to prevent slavery and human trafficking in the Company's own business and its supply chain. The board conducted due and careful consideration of the statement to ensure compliance with the Modern Slavery Act 2015. Given the high standards of business conduct advocated by the board, for the third year in a row, the Company was named one of the World's Most Ethical Companies by the Ethisphere Institute. Please see section above entitled '*Strategic Report – Section 172(1) statement*' for further details. Among other relevant information, the Company's modern slavery statement and a copy of Arm's Supplier Code of Conduct can be found here: <https://www.arm.com/company/sustainability/read-our-reports>.

Principle 4 – Opportunity and risk

The Company has a well-developed system for identifying opportunities to promote the long-term sustainable success of the Group as well as internal committees and control processes to identify, manage and mitigate risk.

The Executive Committee, the Audit Committee, the Risk Review Committee and the Compliance Committee play a key role in this and provide regular updates to the board on opportunities and risks arising throughout the year. This enables dynamic discussion and informed decision-making by the board.

In FY21, the Company also formed a cross-functional taskforce to review and elevate the Company's Environmental, Social and Governance (ESG) practices. The taskforce is expected to make recommendations in FY22 relating to further integration of ESG into the Company's practices and the development of reporting to communicate the Company's ESG value proposition and demonstrate long-term value creation and protection to key stakeholders.

Arm Limited

Corporate Governance Report (continued)

The Company's robust risk management processes are overseen by the Risk Review Committee that identifies, assesses and manages key operational risks of the business. This includes analysing emerging risks and identifying plans to mitigate potential impacts. For example, the Company is currently analysing the recommendations of the Task Force on Climate-related Financial Disclosures as part of its ESG review.

The Arm Management System (AMS) sets out roles and responsibilities to guide the Company's risk management culture. It details the internal controls that the Company needs to manage both long-term risk and short-term success. The Arm risk management framework provides robust guidance on the Company's processes, including legal, regulatory and commercial areas such as tax compliance. Internal Audit is responsible for regularly monitoring the Company's tax control framework.

In May 2021, Arm received the CSO50 Award for Vulnerability Management Operational Excellence from IDG's CSO, a prestigious security media brand providing insight into business risk leadership. In addition, Arm published the third Arm Security Manifesto in August 2021 to bring industry-wide focus to the challenge of security. The Arm Security Manifesto discussed Arm's approach to enhancing security in its architecture designs and included guest features from partners across Arm's ecosystem. Arm's thought leadership explored the current security threat landscape as well as provided an overview of the evolution and progress that had been made in security over the prior four years.

For further information on risks applicable to the Company, please see section above entitled '*Strategic Report – Principal risks and uncertainties*'.

Relevant engagement on the Company's environmental position during FY21 includes:

- Simon Segars, Arm's Chief Executive at the time, joined the UN Special Envoy for Climate Change and Finance, Mark Carney, at a UNICEF Roundtable examining the climate crisis and ensuring a sustainable future for all children.
- Arm was announced as a member of RE100 committing to sourcing 100 percent renewable (electricity) energy by 2023. For further detail, please see section above entitled '*Strategic Report – Section 172(1) statement*'.

During FY20, the Company established an Artificial Intelligence Governance framework with the creation of an AI Ethics Review Committee for products invoking AI, and launched AI Ethics awareness training for all Arm personnel involved in the creation of AI Products. In FY21, the AI Ethics Review Committee received several product submissions from Arm engineers. The products were evaluated for their adherence to the AI ethics guidelines promulgated by the EU Parliament. All such project submissions were found to have complied with the above referenced guidelines.

Further information on the Company and Arm's sustainability initiatives are available at: <https://www.arm.com/company/sustainability>.

Principle 5 – Remuneration

The Remuneration Committee recommends remuneration policies to the board concerning pay strategy, recruitment, retention and incentivisation. These policies align with the Company's strategy, Purpose, Vision, Mission and Core Beliefs (as described in '*Principle 1 – Purpose and Leadership*' of this Corporate Governance Report), while considering the pay and working conditions of employees around the Group and the broader operating environment in which it operates. Executive compensation is linked to long-term performance. The Remuneration Committee consists of non-executive directors who operate pursuant to terms of reference that

Arm Limited

Corporate Governance Report (continued)

outline its responsibility for approving and reviewing Executive Director pay. Reward Plan documentation including plan design and rules are formally approved by the Remuneration Committee and reported to the board. In practice, any Executive Committee pay changes, new hires, compensation plans and payments under these plans are approved by the Remuneration Committee.

Please see section above entitled '*Strategic Report – Section 172(1) statement*' for details on the Company's Gender Pay Gap analysis. Arm has a zero-tolerance approach for any differences in pay that cannot be objectively justified, and management throughout the organisation are engaged in ensuring this is adhered to through Arm's bi-annual reward review cycles. Further, calibrations which reflect gender, race, location and other factors are a key part of each cycle to ensure that a consistent and objective approach has been adopted globally.

Principle 6 – Stakeholders

The Chief Executive provides a briefing on stakeholder engagement at each scheduled meeting of the board through a stakeholder engagement report (which is provided to the board as a pre-read), and directors have the opportunity to discuss and provide feedback, and to consider up-to-date stakeholder engagement and views when making decisions. The stakeholder engagement report also includes metrics on key stakeholders and their interests such as employee feedback and charitable participation. This enables the board and management to consider which stakeholders are relevant for decisions and the impact that key decisions taken may have on those stakeholders.

The Company has collected metrics and data to monitor and assess the effectiveness of engagement methods with the key stakeholders during FY21 (further detail, including specific outcomes, is provided below for each key stakeholder). The applicable functional department reports its analyses and issues up to the Executive Committee. Key findings are then reported to the board through the stakeholder engagement report and other pre-read materials before each board meeting, at which open and informed discussion during board meetings continues to take place. Going forward into the next financial year, the Company will – under the guidance and supervision of the board – use the metrics and data collected to continue to review and assess how it can improve engagement with its key stakeholders and identify where more targeted engagement may be required in the future.

Set out below is a summary of the key engagement activities with notable decisions made impacting the key stakeholders of the Company during FY21:

Customers

In FY21, the Company has continued to engage with its customers remotely, and most in-person engagement opportunities remained on hold, due to the ongoing global pandemic of COVID-19. These include strategic meetings where senior management meet virtually to discuss the current state of business, align with the customer's strategy and timescales, and address any concerns or feedback. Technical review meetings are also held involving senior technical management and engineers where they discuss the current technical status, align with the customer's project progress, deep dive into relevant technical areas and create action plans for technical issues. Other customer engagement methods involve workshops, demos, attendance at conferences, and events and surveys. As travel/contact rules continue to evolve globally, allowing limited business travel, the Company expects to have one-on-one discussions with customers to understand and assess their company position and expectations in regard to in-person engagement. Such discussions are ongoing and will continue into FY22.

Remote engagement remains the normal way of working for customer and colleague interactions, with this way of working proving highly effective. The switch from a physical to a virtual conference for the Arm Partner Meeting (APM) event in August 2021 for the second year in a row was once again successful with around 600 partner attendees. Based on feedback regarding the 2020 APM received from a Medallia survey sent to Arm partners, Arm

Arm Limited

Corporate Governance Report (continued)

revised the 2021 APM in various ways, including making all sessions available on-demand, setting up for desktop/mobile viewing instead of using VR headsets. Feedback obtained showed that the event was well received by both partner and Arm attendees. For FY22, the APM is expected to be hosted live in Cambridge, and the keynotes and TechTalk sessions will be made available on-demand.

At the request of Arm partners, Arm has also maintained or extended its delivery of remote services, such as customer training and design reviews. As a result, Arm is remotely delivering technical training to around 2,000 customer delegates per quarter, while maintaining high customer satisfaction ratings for the quality and value of that training.

Arm has also pursued other improvements as a result of customer feedback to improve its services. Arm analysed trends and volumes in the support cases for commonly occurring issues to create and promote self-help materials. As a result, approximately 5% of customer searches each month are now resolved by a solution provided in the knowledge base articles created for such commonly occurring issues. This has enabled partners to obtain answers more efficiently while reducing the support burden to Arm.

The new Arm Developer website also went live in late January 2022, with an enhanced look and feel, as well as additional and improved technical content. This update addressed some of the information gaps and site usability issues raised in customer feedback and requests.

Arm's Product Delivery Hub website for customers to securely download their Arm products also went live in August 2021. This has been accessed by a number of partners to download a range of different products. By the end of 2022, Arm products and partners will be moved across, and the legacy delivery channels will be discontinued.

The Global Commercial Conference (GCC), which serves as Arm's annual sales kick-off, was held in April 2021 and delivered virtually for the second year with a record active participation of 94% (720 attendees). Based on focus group feedback, GCC's agenda was enhanced to focus on delivering the Line of Business (LoB) strategy and priorities for the year and included LoB GM keynotes and individual sessions focused on sales delivery of Arm's technology. Feedback obtained showed greater adoption and reception of the enhanced format from a content and virtual delivery standpoint.

The Company collects metrics and data around its engagement activity with customers in order to monitor and improve the effectiveness of engagement and response to customer feedback. This is done through regular customer satisfaction surveys that include:

- Post-interaction surveys – these measure the level of satisfaction at the end of a specific interaction such as a support case or download. Every closed support case has a follow up customer survey, and every reply with a negative score triggers a support agent follow up contact.
- 'Pulse-checks' – surveys across Arm's services to measure general user sentiment. Arm's key metrics are customer satisfaction score (CSAT) and customer effort score (CES), with monthly operational reviews of performance versus targets to ensure issues are actioned in a timely manner.
- Targeted surveys – short-term surveys to measure customer sentiment on any particular criteria such as a new launch or a specific website change. Arm has also targeted a range of customers to gather feedback and ratings based on clarity of Arm messaging related to the Arm ecosystem, and received over 1,200 responses from a wide range of technical and executive customer contacts during FY21.
- Regular experience surveys – longer form surveys that are sent on a regular cadence such as annual experience surveys.

Arm Limited

Corporate Governance Report (continued)

In addition, key performance targets are set for each area of customer engagement (Digital Services, Digital Content, Technical Documentation, and Training and Support), and these are reported and monitored and, if needed, corrective actions are raised and cascaded. Monthly reporting is completed on the performance trends from these surveys, and ticket creation and resolution rates of actionable feedback are tracked.

The Company takes customer feedback and needs seriously and focuses on improving its ways of working with customers. Outcomes from such feedback and metrics in this financial year included: the adoption of new and improved technology tools and platforms to support and enable the Company's Sales and other partner facing teams, with the Salesforce platform (for opportunity and booking management) in continuous improvement mode; the implementation of the Highspot platform (for technical marketing content and sales training), which has now been live for two quarters with high adoption and positive feedback from Sales teams and users; as well as *improved partner analytics and reporting data now available in access controlled Tableau reports.*

During FY21, the impact of Brexit on customers was considered and developments have been monitored. No material impact associated with Brexit has been identified to date on the Company's business, product development or its work with customers. The Company will continue to monitor the situation and respond accordingly should any risks materialise at a later date.

Suppliers

The Company identifies its strategic, critical and preferred suppliers each year using a supplier segmentation process. The following factors are considered when identifying the top 20 suppliers:

- Spending level associated with each supplier in the previous 12 months; and
- Critical analysis using a weighted questionnaire covering financial, operational, risk and strategic criticality of each supplier.

These assessments are carried out by Group Procurement and the results are reviewed and validated by key business stakeholders.

- The Company continued to invest and develop procurement best practices, with a focus on procurement systems and processes, thereby providing Group Procurement with a consistent service platform across geographies.
- In FY21, the Company deployed: (i) SAP Ariba system to Arm entities outside of the United Kingdom and the United States, automating new supplier registration and transactional purchasing, and providing Arm with the opportunity for improved interaction when transacting with its supply base; and (ii) a new Supplier Management tool, Brooklyn Vendor Management (BVA), to provide a single source of supplier relationship intelligence.

Continued supplier engagement and feedback helps improve the quality of service delivered to the Company. To enhance the level and quality of engagement with suppliers, the Company took the following actions during FY21:

- Introduction of annual Supplier Risk Assessment surveys, delivered via the BVA tool.
- Annual Supplier 360 Surveys sent to strategic suppliers, capturing Arm stakeholder and supplier sentiment, and identifying areas for improvement. Any actions are tracked, and progress is reviewed, during governance meetings.

Arm Limited

Corporate Governance Report (continued)

- Continued roll-out of the Supplier Management governance framework, ensuring that Arm has appropriate meetings in place with its key suppliers to facilitate opportunities to create value and identify any areas of risk.
- Formal governance meetings with key strategic suppliers in conjunction with the business, delivering regular opportunities to explore innovation and thought leadership topics.
- Delivered Supplier Management best practice training modules in the Arm Learning Portal, to help support Arm business stakeholders who manage supplier relationships in their business areas.

Key feedback from suppliers during FY21 360-Surveys revealed three principal areas for improvement:

1. *The time to settle invoices. Group Procurement addressed this by working with Arm Accounts Payable and recommunicated the goods receipt/invoice approval process. This is an ongoing area of focus.*
2. *Feedback on failed bids. This has been recognised and an additional level of detail is available to suppliers when responding to failed bids.*
3. *Access to Arm senior leaders. While this is not always appropriate for all supplier engagements, senior sponsors have been identified for many of Arm's strategic suppliers as part of the Exec Sponsor Programme. Further work is required during FY22 to ensure this programme provides mutual benefits.*

Group Procurement worked with Arm Legal and business stakeholder to assess and adapt supplier contracts and terms in relation to the United Kingdom leaving the European Union.

To support the Company focus on DEI and becoming carbon neutral, Group Procurement has created a Responsible Procurement strategy, which has resulted in the following actions:

- Supply Chain Sustainability targets have been set to support Arm's aim of becoming Net Zero by 2030.
- CDP (a specialist carbon data consultancy) has been engaged to gather emissions data for Arm's top 500 suppliers.
- Group Procurement has worked with the DEI team to evaluate the best way to collect data and set targets for supply chain diversity.

Please also refer to 'Principle 3 – Directors' Responsibilities' of this Corporate Governance Report, and the 'Strategic Report', for further detail.

Arm Limited

Corporate Governance Report (continued)

Employees

Employees are actively encouraged to provide feedback, report concerns and raise questions. Interactive engagement with the workforce is foundational to the Company's strategy, Purpose, Vision, Mission and Core Beliefs (as described in 'Principle 1 – Purpose and Leadership' of this Corporate Governance Report), which are actively promoted by the board and cascaded to all levels of management and across the workforce.

During FY21, employee engagement was undertaken through a variety of channels, as also discussed in the section above entitled '*Strategic Report – Section 172(1) statement*'. The Company has held virtual Business Update meetings twice a quarter to which all employees are invited to receive an update on business performance, strategy and other important aspects of the Company's activities and culture that impact the workforce, and have the opportunity to ask questions or seek clarifications. Feedback, which was received through an annual 'Life at Arm' survey rolled out to all employees, and included 5,228 responses, provided valuable insight on sentiment, engagement, and DEI, such as:

- The majority of people understand how their work contributes to Arm's objectives.
- The majority believe that people at Arm treat each other with respect.
- The majority feel they have the support to adjust how and when they work in the context of COVID-19.

The biggest decrease in scores compared to 2020 related to the impact of Arm's programmes and initiatives on health and wellbeing. The Company created a new Wellbeing Hub on the intranet in support of Maintaining Healthy Relationships and Building Positive Connections. It offers resources and support for parents, grandparents, friends, partners and more. In the first month, there were 500 visits to the Wellbeing Hub. The Company also hosted a Fireside chat with Unmind, touching on topics such as anxiety, adjusting to life after COVID and how to maintain a healthy work/life balance.

Additionally, employee feedback has been collected via Glassdoor's annual survey. According to a January 2022 report by Glassdoor, Arm came in as the ninth best place to work in the UK in 2022.

The board considers that employee feedback is a good barometer of the workforce's confidence in the Company's strategic direction, optimism for the future and career opportunities.

Throughout the year, multiple 'In Conversation With' sessions were held where employees have an opportunity to engage directly with individuals from senior management. Each business function convened numerous all-hands meetings to address key topics and issues arising at business unit or regional level. Further, communication was effected through the use of in-house social media, publications, electronic bulletins and the Company's intranet.

There is currently a substantial level of work being undertaken to promote DEI throughout the Company, and these efforts are being supported by the Chief Executive, Executive Committee and the Chief Diversity Officer.

In August 2021, the Company launched its new DEI strategy, created in partnership with an external DEI consulting firm. There are four pillars to the DEI strategy (People, Culture, Leadership and Partnerships), in addition to three foundational elements that bring the strategy to life (Key Performance Indicators, Accountability and Communication). In order to help embed DEI across the Company, a new DEI performance measure was added to the 2022 Annual Review. This additional level of accountability has helped the Company elevate its commitment to DEI. Three enterprise KPIs were also developed as part of the strategy related to equitable promotions and attrition, employee engagement survey results and the DEI performance measure.

Arm Limited

Corporate Governance Report (continued)

In addition, there are a wealth of initiatives, programmes, and events that promote DEI throughout the Company. For example, the Company has five Employee Resource Groups (ERGs) that help create an inclusive environment and build community among underrepresented groups: Black@arm, Neurodiversity@arm, Pride@arm, Unidos@arm and Women@arm. The ERGs hold a variety of events throughout the year to celebrate their communities and improve cultural awareness during key moments, such as Black History Month, Autism Acceptance Month, LGBTQ+ Pride Month, Hispanic Heritage Month, International Women's Day and Women's History Month. There have also been a large number of events and campaigns run throughout FY21, including Mental Health Awareness Month, Juneteenth, Diwali and Lunar New Year.

When it comes to DEI education, Arm has started to roll out a series of learning sessions as part of the Company's DEI learning journey. The Company held a number of 'listening sessions' in spring 2021 to help employees better understand the perspectives of colleagues from different communities, and therefore how to build a more inclusive Arm. In autumn 2021, a DEI expert was brought in to speak about the Neuroscience of Inclusion. To date, nearly 80% of employees have attended that training. Additionally, Inclusive Leadership training was provided to all program, project and people managers, resulting in a 99% participation rate. To support the DEI strategy rollout among employees, Diversity, Equity and Inclusion Champions and working groups (DEI Champs) work with the DEI team to cascade key messages and make the strategy more relevant to their functional areas. DEI Champs will support the ongoing approach to work with leaders to weave messages about the DEI strategy and why DEI is important at Arm, into business-as-usual Group newsletters and all hands calls.

Following the acquisition of the Company by SoftBank in September 2016, the Company was subject to post-offer undertakings (POUs) under Rule 19.5 (then Rule 19.7) of the Takeover Code. The Company was required to increase and meet certain headcount targets by September 2021. The stipulated targets have been satisfied, fulfilling the POUs and, as such, following 5 September 2021, the Company is no longer bound by the POUs.

Brexit has changed the hiring landscape and processes for key skill sets which are in demand, including adding additional visa/immigration processes for the onboarding of talent from key European tech talent hubs. Due to Arm's position as an employer of choice, Arm has continued to hire from the UK, the EU and globally to bring talent to our teams. The time to onboard new employees from the EU has increased, although this has been balanced with improvements to the immigration processes for non-UK candidates. Arm has also provided support to its existing EU employees who have chosen to apply for settled status to remain in the UK, as well as the small number of UK citizens working in our EU locations.

Further information on the Company and Arm's sustainability and DEI initiatives are available at: <https://www.arm.com/company/sustainability>.

Public organisations

The Company engages with a variety of governmental and intergovernmental bodies, trade associations and local communities on a global basis with the Public Affairs and the Sustainability teams. As a wide variety of stakeholders fall within this category, engagement also takes place with other teams and individuals at Arm on a case-by-case basis. Outcome and feedback from engagement is shared and reported among the teams through regular meetings and dialogue.

Please see section above entitled '*Strategic Report – s.172(1) statement*' for details on engagement with intergovernmental bodies and local communities.

Arm Limited

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Arm Limited

Independent Auditor's Report to the Members of Arm Limited Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Arm Limited (the 'company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the consolidated statement of accounting policies; and
- the related notes 1 to 36 to the consolidated financial statements and 37 to 51 to the parent company balance sheet.

The financial reporting framework that has been applied in their preparation is United Kingdom adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the group's available financing, including cash reserves and treasury deposits to the amount of \$1,006k held as at 31 March 2022;
- assessing the directors' assumptions used in the forecast, including linkage to the group's business model and operations, and evaluating other external information such as industry data for corroborative or contradictory evidence;
- assessing management's estimate of the probability of events triggering the springing guarantee and resulting in a cash outflow from Arm or transfer of Arm shares;
- performing a sensitivity analysis on the forecast, including the decrease in cash generated from sales required for the Group to be unable to finance their forecast cash outflows and reach \$nil cash 12 months from the date of this report;
- testing the clerical accuracy of the forecast;

Arm Limited

Independent Auditor's Report to the Members of Arm Limited (continued)

- assessing the historical accuracy of forecasts prepared by the Group; and
- evaluating of the group's disclosures on going concern against the requirements of IAS 1.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Arm Limited

Independent Auditor's Report to the Members of Arm Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included UK Companies Act, pensions legislation anti-trust regulations, trade compliance laws, employment law, and tax legislation.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, IT, forensic and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Recognition of licence revenue for large contracts - we inspected legal agreements and obtained direct confirmation from customers or performed alternative audit procedures for these licence revenue contracts, challenged and evaluated the directors' judgements and estimates and considered alternative judgements or assumptions that could have been made.
- Longstanding corporate governance issues in Arm China, as disclosed in note 19 – we evaluated the results of the investigation performed by the Arm China's independent forensic specialists, directed and supervised the outstanding component audits and assessed the appropriateness of the prior period restatement as set out in note 1.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports.

Arm Limited

Independent Auditor's Report to the Members of Arm Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in [the strategic report or] the directors' report.

Matters on which we are required to report by exception

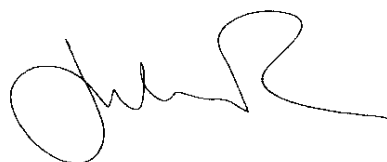
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Julian Rae

For and on behalf of Deloitte LLP

Statutory Auditor

Cambridge, UK

30 March 2023

Arm Limited
Consolidated Income Statement
For the year ended 31 March 2022

			(As restated) ¹
	Note	2022 \$ 000	2021 \$ 000
Revenue	5	2,703,524	2,043,409
Cost of sales		(134,054)	(123,822)
Gross profit		2,569,470	1,919,587
Research and development costs		(915,177)	(886,675)
Selling, general and administrative expenses		(857,402)	(902,610)
Impairment of investments and other assets	6	(35,653)	(50,920)
Operating profit		761,238	79,383
Finance income	9	5,318	8,013
Reclassification of OCI on disposal of associate	19	32,415	-
Finance costs	10	(7,292)	(8,659)
Share of results of associates	19	13,425	12,353
Profit before tax		805,104	91,090
Tax	11	(208,838)	(20,912)
Profit for the year from continuing operations		596,266	70,178
Discontinued operations			
Loss for the year from discontinued operations	12	(125,325)	(181,686)
Profit/(loss) for the year		470,941	(111,508)

All the profit/(loss) for the year is attributable to the owners of the Company.

¹ Prior year figures have been restated. See note 1 for further details.

Arm Limited**Consolidated Statement of Comprehensive Income**
For the year ended 31 March 2022

			(As restated) ¹
	Note	2022 \$ 000	2021 \$ 000
Profit/(loss) for the year		<u>470,941</u>	<u>(111,508)</u>
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		457	101,595
Share of results of associates	19	(4,349)	371
Reclassification of OCI on disposal of associate	19	(32,415)	-
Investment revaluation	33	81,516	358,499
Deferred tax on investment revaluation	24	(34,506)	(68,106)
Other comprehensive income for the year net of tax		<u>10,703</u>	<u>392,359</u>
Total comprehensive income for the year		<u>481,644</u>	<u>280,851</u>

Total comprehensive income for the year is attributable to the owners of the Company.

¹ Prior year figures have been restated. See note 1 for further details.

Arm Limited**Consolidated Balance Sheet (Registered Number: 02557590)**

As at 31 March 2022

			(As restated) ¹	(As restated) ¹
		2022	2021	2020
	Note	\$ 000	\$ 000	\$ 000
Non-current assets				
Goodwill	14	1,622,680	1,636,742	1,645,604
Other intangible assets	15	204,766	234,169	347,050
Property, plant and equipment	16	181,046	245,524	234,440
Right-of-use assets	17	230,249	268,811	282,405
Investments in associates	19	116,958	839,047	774,028
Investments	20	613,902	536,741	157,499
Contract assets	22	100,456	26,307	6,557
Tax assets		6,489	11,967	-
Other receivables	23	147,030	126,170	83,692
Embedded derivatives (asset)		-	-	7,769
Financial assets held at fair value through profit and loss	33	29,002	2,922	-
Deferred tax assets	24	128,584	117,730	7,703
		<u>3,381,162</u>	<u>4,046,130</u>	<u>3,546,747</u>
Current assets				
Inventories	21	1,998	2,371	2,200
Contract assets	22	166,480	81,437	74,586
Trade and other receivables	23	1,279,389	1,016,455	1,059,769
Current tax assets		7,538	664	36,174
Treasury deposits		630,573	125,576	533
Cash and cash equivalents	29	1,006,153	1,172,629	1,110,599
Embedded derivatives (asset)		-	-	7,269
Fair value of currency exchange contracts	33	128	2,469	-
Assets held for distribution	12	-	257,861	-
		<u>3,092,259</u>	<u>2,659,463</u>	<u>2,291,130</u>
Total assets		<u>6,473,421</u>	<u>6,705,593</u>	<u>5,837,877</u>
Current liabilities				
Trade and other payables	25	846,523	573,058	564,242
Current tax liabilities		171,128	54,101	62,561
Lease liabilities	17	33,515	38,076	39,131
Contract and other related liabilities	32	333,648	424,257	150,713
Provisions	26	49,708	4,255	10,304
Fair value of currency exchange contracts	33	9,541	411	5,953
Liabilities held for distribution	12	-	142,473	-
		<u>1,444,062</u>	<u>1,236,631</u>	<u>832,904</u>
Net current assets		<u>1,648,197</u>	<u>1,422,832</u>	<u>1,458,226</u>

Arm Limited

Consolidated Balance Sheet (Registered Number: 02557590)

As at 31 March 2022

			(As restated) ¹	(As restated) ¹
		2022	2021	2020
	Note	\$ 000	\$ 000	\$ 000
Non-current liabilities				
Trade and other payables	25	140,452	227,813	114,840
Deferred tax liabilities	24	266,852	217,103	208,287
Lease liabilities	17	226,281	266,094	250,912
Provisions	26	14,733	15,128	15,145
Contract and other related liabilities	32	792,441	753,983	100,025
Liability for share-based payments	30	4,538	156,437	5,012
		<u>1,445,297</u>	<u>1,636,558</u>	<u>694,221</u>
Total liabilities		<u>2,889,359</u>	<u>2,873,189</u>	<u>1,527,125</u>
Net assets		<u>3,584,061</u>	<u>3,832,404</u>	<u>4,310,752</u>
Equity attributable to owners of the Company				
Share capital	27, 28	1,273	1,273	1,273
Share premium account	28	583,279	583,279	583,279
Share-based payments	8, 28, 30	98,620	-	9,199
Capital reserve	28	439,757	439,757	439,757
Translation reserve	28	449,166	481,124	379,529
Investment revaluation reserve	28	355,822	308,812	18,419
Retained earnings	28	1,656,144	2,018,159	2,879,296
Total equity		<u>3,584,061</u>	<u>3,832,404</u>	<u>4,310,752</u>

The financial statements were approved by the Board of Directors and authorised for issue on 30/03/2023 and were signed on its behalf by:

DocuSigned by:

 F1F09375F1BE489

R Haas
 Chief Executive Officer

¹ Prior year figures have been restated. See note 1 for further details.

Arm Limited**Consolidated Statement of Changes in Equity**
For the year ended 31 March 2022

Equity attributable to equity holders of the Company								
Note	Share capital \$ 000	Share premium account \$ 000	Share-based payments \$ 000	Capital reserve \$ 000	Translation reserve \$ 000	Investment revaluation reserve \$ 000	Retained earnings \$ 000	Total equity \$ 000
Balance at 1 April 2020 (as restated)¹	1,273	583,279	9,199	439,757	379,529	18,419	2,879,296	4,310,752
Loss for the year (as restated) ¹	-	-	-	-	-	-	(111,508)	(111,508)
Other comprehensive income/(loss) for the year:								
Currency translation adjustment	-	-	-	-	101,595	-	-	101,595
Share of results of associates	-	-	-	-	-	-	371	371
Investment revaluation	-	-	-	-	-	358,499	-	358,499
Deferred tax on investment revaluation	-	-	-	-	-	(68,106)	-	(68,106)
Total comprehensive income/(loss) for the year (as restated)¹	-	-	-	-	101,595	290,393	(111,137)	280,851
Cash dividend	13	-	-	-	-	-	(750,000)	(750,000)
Share-based compensation	-	-	(9,199)	-	-	-	-	(9,199)
Balance at 31 March 2021 (as restated)¹	1,273	583,279	-	439,757	481,124	308,812	2,018,159	3,832,404
Balance at 1 April 2021 (as restated)¹	1,273	583,279	-	439,757	481,124	308,812	2,018,159	3,832,404
Profit for the year	-	-	-	-	-	-	470,941	470,941
Other comprehensive income/(loss) for the year:								
Currency translation adjustment	-	-	-	-	457	-	-	457
Share of results of associates	-	-	-	-	-	-	(4,349)	(4,349)
Reclassification of OCI on disposal of associate	-	-	-	-	(32,415)	-	-	(32,415)
Investment revaluation	-	-	-	-	-	81,516	-	81,516
Deferred tax on investment revaluation	-	-	-	-	-	(34,506)	-	(34,506)
Total comprehensive income/(loss) for the year	-	-	-	-	(31,958)	47,010	466,592	481,644
Dividend in specie	13	-	-	-	-	-	(828,607)	(828,607)
Share-based compensation	-	-	98,620	-	-	-	-	98,620
Balance at 31 March 2022	1,273	583,279	98,620	439,757	449,166	355,822	1,656,144	3,584,061

¹ Prior year figures have been restated. See note 1 for further details.

Arm Limited**Consolidated Statement of Cash Flows**
For the year ended 31 March 2022

	Note	2022 \$ 000	2021 \$ 000
Net cash from operating activities	29	496,177	1,252,944
Investing activities			
Interest received		5,208	7,837
Purchases of property, plant and equipment		(34,354)	(103,698)
Purchases of intangible assets		(78,124)	(88,113)
(Increase)/decrease in long-term prepayments		(2,383)	5,244
Investments in associates		(100)	(3,636)
Proceeds on disposal of associates		-	1,470
Purchases of trading investments		(6,186)	(45,594)
Payments for financial assets at fair value through profit and loss		(29,002)	(2,457)
Purchase of other investments		-	(20,000)
Net increase in deposits		(504,997)	(125,043)
Long-term loans granted		(4,964)	-
Net cash used in investing activities		(654,902)	(373,990)
Financing activities			
Principal payments on lease liabilities	29	(46,369)	(41,815)
Short-term loans received	35	50,000	-
Dividends paid to Company's shareholders	13	-	(750,000)
Net cash generated/(used) in financing activities		3,631	(791,815)
Net (decrease)/increase in cash and cash equivalents		(155,093)	87,139
Cash and cash equivalents at beginning of year		1,215,169	1,110,599
Disposal of cash due to distribution/sale of subsidiaries	12	(42,946)	-
Effect of foreign exchange rate changes		(10,977)	17,431
Cash and cash equivalents including cash held in disposal groups at the end of the year		1,006,153	1,215,169
Cash and cash equivalents held in disposal groups		-	42,540
Cash and cash equivalents at the end of the year		1,006,153	1,172,629

Arm Limited

Notes to the Consolidated Financial Statements For the year ended 31 March 2022

1 General information

Arm Limited (the 'Company') is a private Company limited by shares incorporated in the United Kingdom under the *Companies Act 2006* and is registered in England and Wales. The address of the Company's registered office is 110 Fulbourn Road, Cambridge, CB1 9NJ.

The principal activities of Arm Limited and its subsidiaries and the nature of the Group's operations are disclosed in the Directors' Report and the Strategic Report on pages 15 and 1 respectively.

The Group is ultimately controlled by SoftBank Group Corp., a company registered in Japan. The Group consists of Arm Limited and its subsidiaries as set out in note 41.

During the year, there were changes to the composition of the Group as the Group incorporated new subsidiaries and disposed of subsidiaries. Details of subsidiaries incorporated during the year are disclosed in note 41. Details of subsidiaries disposed of during the year are disclosed in note 12.

Restatement of prior year - Arm China

As disclosed in note 19, the resolution of the historic corporate governance issue in Arm China allowed component auditor access and provision of new information by Arm China to Arm in relation to FY19-FY21. This identified and concluded adjustments required to the balance sheet and income statement, increasing the Trade and other receivable by \$122.4 million (2021: \$118.5 million, 2020: \$49.6 million), Contract and other related liabilities by \$122.4 million (2021: \$118.5 million, 2020: \$49.6 million) and decreased Revenue by \$6.0 million (2021: increase of \$6.0 million). These adjustments arose from clarification of the terms that define when customer payments made to Arm China revenues became billable by Arm under the IP licensing agreement in place as well as true-ups associated with revenue share accrual estimates.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

1 General information (continued)

Restatement of prior year - revenue and accrued royalties

Royalty revenues (note 5) and accrued income (note 23) for the year ended 31 March 2021 have been restated to reflect a \$40.1 million increase. This restatement relates to the post-year end true-up of accrued royalty revenues on subsequent receipt of customer royalty statements (under IFRS 15) which was not recorded in the year ended 31 March 2021 but was available prior to the issuance of the 31 March 2021 financial statements. This restatement is to correct for an error that is material to the users of these financial statements such that revenues and accrued income for the year ended 31 March 2022 do not include royalties in relation to the prior year and only include royalties in relation to the current year, inclusive of any current year true-ups identified prior to the approval of these financial statements. The reconciliation of net cash from operating activities for the year ended 31 March 2021 has been restated for the *resulting change in profit from continuing operations and movement in receivables (note 29)*.

In addition, the Group and Company identified certain promises that had been considered and treated in the prior year financial statement as not satisfied. However, further investigation revealed that a number of these contracts were considered closed with the associated IP and services being delivered to the relevant customers. Consequently, the Group and Company should have recognised the transaction price attached to those performance obligations.

Further, the Group and Company identified that the determination of asset and liability positions for certain revenue contracts did not reflect the status of the revenue arrangements. Consequently, certain contract assets and liabilities have been reclassified to properly represent their contract balance positions. As a part of this determination, certain *noncancellable and non-refundable payments previously recorded as Trade and other payables were reclassified to Contract and other related liabilities*. This balance sheet reclassification did not impact equity or income statement in either the current or comparative year. In addition, the reconciliation of net cash from operating activities for the year ended 31 March 2021 has been restated for the resulting movement in Trade and other receivables and Contract and other related liabilities.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

1 General information (continued)**Restatement of prior year**

The following table summarises the impact of the prior period errors on the financial statements of the Group. The same adjustments were applied to Company balances.

	2020	2020	2020
	As previously reported	Prior period error	As restated
	\$ 000	\$ 000	\$ 000
Balance Sheet			
Trade and other receivables (current)	1,010,290	49,479	1,059,769
Contract and other related liabilities (current)	101,234	49,479	150,713
	2021	2021	2021
	As previously reported	Prior period error	As restated
	\$ 000	\$ 000	\$ 000
Balance Sheet			
Contract assets (current)	72,716	8,721	81,437
Trade and other receivables (current)	845,323	171,132	1,016,455
Contract and other related liabilities (current)	292,596	131,661	424,257
Trade and other payables (current)	588,500	(15,442)	573,058
Retained earnings	1,954,524	63,635	2,018,159
Income Statement			
Revenue	1,979,494	63,915	2,043,409
Selling, general and administrative expenses	(902,329)	(281)	(902,610)

In addition, the reconciliation of net cash from operating activities for the year ended 31 March 2021 has been restated for the resulting change in profit from continuing operations and movement in Trade and other receivables, Trade and other payables, Contract assets and Contract and other related liabilities.

Prior period restatement has affected the following notes:

- Note 23: Trade and other receivables
- Note 29: Notes to the cash flow statement
- Note 32: Contract and other related liabilities
- Note 33: Financial instruments
- Note 35: Related party transactions
- Note 46: Trade and other receivables (Company note)
- Note 49: Contract liabilities (Company note)

Arm Limited**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2022****2 Adoption of new and revised standards*****New and amended IFRS standards that are effective for the current year***

The Group has adopted the following new and amended standards during the year, which have had no material impact on the financial statements: Interest Rate Benchmark Reform; COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16.

New and revised IFRS standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS standards that have been issued but are not yet effective.

IFRS 17 (including the June 2020 amendments to IFRS 17)	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous contracts – Cost of Fulfilling a Contract
Annual improvements to IFRS standards 2018-2020 cycle	Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture.

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

3 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all of the periods presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom (IFRSs). The consolidated financial statements have been prepared on the historical cost basis, in accordance with those parts of the Companies Act 2006 that are applicable to companies that prepare consolidated financial statements in accordance with IFRS, except for the revaluation of certain financial instruments that are measured at fair value.

The consolidated financial statements are presented in US dollars, which is the Group's reporting currency, and rounded to the nearest \$1,000.

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and management judgements in applying the accounting policies. The significant estimates made and judgements applied and their effect are disclosed in note 4.

The figures presented in respect of the Company's individual financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The same recognition and measurement principles, under IFRS, apply to the Company individual financial statements as apply to the consolidated financial statements. In accordance with FRS 101 the following exemptions from the disclosure requirements of IFRS have been applied in the preparation of the Company financial statements and, where relevant, equivalent disclosures have been made in these consolidated financial statements:

- details required by paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments' (details of the number and weighted average exercise prices of Restricted Stock Units (RSUs), and how the fair value of goods or services received was determined);
- the requirement to publish a cash flow statement and related cash flow information, in accordance with IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements';
- disclosure of the objectives, policies and processes for managing capital, in accordance with IAS 1 'Presentation of Financial Statements';
- inclusion of an explicit and unreserved statement of compliance with IFRS, in accordance with IAS 1 'Presentation of Financial Statements';
- disclosure of key management compensation, in accordance with IAS 24 'Related Party Disclosures';
- the requirements to disclose related party transactions entered into between two or more members of a group as required in IAS 24 'Related Party Disclosures';
- disclosure of the categories of financial instrument, nature and extent of risks arising on these financial instruments and the effect on the income statement, in accordance with IFRS 7 'Financial Instruments';
- disclosure of the future impact of new IFRSs in issue but not yet effective at the balance sheet date, in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- comparative period reconciliations for share capital, investments, intangible fixed assets and property, plant and equipment;
- disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities, in accordance with IFRS 13 'Fair Value Measurement'; and
- the requirements of 10(f) and 40A-D of IAS 1 to prepare a statement of financial position as at the beginning of the preceding period when an entity retrospectively restates items in its financial statements.

The financial statements of the Company are consolidated in these financial statements which are publicly available from Companies House, Crown Way, Cardiff, CF12 3UZ.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

3 Significant accounting policies (continued)

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of signing of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Management acknowledge the significant economic impact of COVID-19 pandemic and the additional level of uncertainty it has introduced however, the impact was not significant in the forecasts prepared that support the going concern assumption and represent management's best estimates of future events with sufficient headroom to conclude a going concern assumption without a material level of uncertainty.

In March 2022, a subsidiary of Arm's ultimate parent company entered into a facility agreement with financial institutions to borrow \$8.0 billion, providing 75.01% of Arm shares as collateral.

As of 31 March 2022, the term facility loan was \$7.1 billion and the bridge facility loan \$0.9 billion. The term facility loan is to be repaid in full on maturity, which is the earlier of the date falling three months after the effective date of the listing of Arm and 24 months after the borrowing of the term facility loans. On 24 June 2022 an amendment letter expanded the total commitment to \$8.5 billion via an additional term facility of \$1.4 billion, \$0.9 billion of which was used to repay the bridge facility with the remaining \$0.5 billion representing incremental debt.

75.01% interest in the Company is pledged as collateral for the facility. A springing guarantee, naming Arm as the guarantor, becomes effective on the triggering event of material breach or misrepresentation, an IPO not occurring within 18 months of 28 March 2022 or such intention being announced. On trigger, future events of default fall to the Company. The guarantee terminates at the earlier of an IPO event or the facility being paid or discharged.

The guarantee obligation for the Arm Group exposes Arm to credit risk with a maximum exposure which the Group could have to pay if the guarantee is called upon was \$8.0 billion as at 31 March 2022. Management's estimation of the probability of events triggering the guarantee and resulting in a cash outflow from Arm or transfer of Arm shares is remote and does not cast significant doubt over the going concern assumption (see note 4 for further detail).

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

3 Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. In accordance with IFRS 3 'Business combinations', acquisitions are accounted for using the acquisition method where the Group is identified as having the role of 'acquirer' and the consideration transferred is demonstrably at fair value. Under the acquisition method, the results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement and statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary. The 'Business combinations – acquisition accounting' policy provides further detail on the application of the acquisition method.

The combination of entities under common control are outside the scope of IFRS 3. In the absence of specific guidance for common control business combinations under IFRS the Group applied common practice and used the pooling of interests method to account for the business combination.

Under the pooling of interests method the Group applies an accounting policy choice to recognise the assets and liabilities of the acquired entities at their carrying values as reflected in the Group balance sheet of the original parent company (rather than the carrying values as reflected in the acquired entities' own individual accounts). The effect of this accounting policy choice is that any fair value adjustments and goodwill arising on the original acquisition are carried over to these Group accounts when the pooling of interests method is applied for a common control business combination. For business combinations in the prior period accounted for using the pooling of interests method there was no difference between the carrying value of the assets and liabilities of the acquired entities in their own individual accounts and the carrying values in the Group balance sheet of the original parent company.

For the consolidated financial statements, the adoption of the pooling of interests method presents Arm Limited as if it had always been the parent undertaking of the entities acquired; the income statement and the statement of comprehensive income reflect the results of the entities acquired for the full period and comparatives are presented as if the entities had always been combined.

Arm Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 March 2022

3 Significant accounting policies (continued)

Basis of consolidation (continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in the income statement is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (that is reclassified to the income statement or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 'Financial Instruments', when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

Business combinations – acquisition accounting

When the acquisition method of accounting is applied to a business combination the consideration transferred is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred. Goodwill is measured as the excess of the sum of the consideration transferred, over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 'Income Taxes' and IAS 19 'Employee Benefits' respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Where consideration is deferred and payable to ex-shareholders who are employees of the Group, an assessment is made as to whether the amounts transferred should be accounted for as contingent consideration or as post-business combination remuneration. If payment is contingent on future employment then the deferred consideration is always accounted for as post-business combination remuneration and recognised in the income statement in accordance with IAS 19 'Employee Benefits'. If the consideration transferred by the Group in a business combination includes asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

3 Significant accounting policies (continued)

Business combinations – acquisition accounting (continued)

Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each cash-generating unit (CGU), or groups of cash-generating units, that the Group expect to benefit from the business combination. Each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the group at which the goodwill is monitored for internal management purposes. CGUs or group of CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU or group of CGUs may be impaired. If the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a CGU or group of CGUs, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Arm Limited**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2022****3 Significant accounting policies (continued)****Investments in associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

Under the equity method, investments in associates are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Investments in associates are accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the income statement in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investments in associates. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not held by the Group.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

In the individual accounts of the Company, interests in joint ventures and associates held via ordinary shares are stated at historic cost less accumulated impairment losses. Where interests are held via instruments other than ordinary shares, these are stated at fair value.

Arm Limited

Notes to the Consolidated Financial Statements (continued) **For the year ended 31 March 2022**

3 Significant accounting policies (continued)

Revenue

(a) Classes of revenue

Revenue comprises the value derived from the sale of Arm technology licences, royalties arising from the resulting sale of end-user products that utilise Arm technology, revenues from support, maintenance and training, toolkits and associated services.

IP licence revenue

The Group generally licenses IP under non-exclusive licence agreements that provide usage rights for specific applications for a finite or perpetual term. These licences are made available electronically to address the customer-specific business requirements. These arrangements generally have distinct performance obligations that consist of transferring the licensed IPs, extensions or releases and support services. Support services consist of a stand-ready obligation to provide technical support, patches and bug fixes over the support term. Revenue allocated to the IP licence is recognised at a point in time upon the delivery of the licence in a functional state. Revenue allocated to extensions or releases are recognised as and when those are provided to the customers.

The Group also makes certain IP available through cloud-based infrastructure where the customer does not have the right to terminate the hosting contract. Under such arrangements, the customers do not have the right to take possession of the software to run on their own IT infrastructure, nor do they have the right to engage a third-party provider to host and manage the software. Revenue for these arrangements is recognised over time as the services are performed.

Royalty revenue

For certain IP licence agreements, royalties are collected on products that incorporate the Group's IP. Royalties are recognised on an accrual basis in the quarter in which the customer ships their products, based on the Arm technology that it contains. The accrual is estimated using trend analysis on market and sales data as well as customer-specific financial information.

Software and related service revenues

Sales of software, including development systems, which are not specifically designed for a given licence (such as off-the-shelf software) are recognised upon delivery when control has been transferred to the customer. Services (such as training, and professional and design services) that the Group provides, which are not essential to the functionality of the IP, are separately stated and priced in the contract and accounted for separately.

Training revenue is recognised as services are performed. Revenue from professional and design services are recognised over time using the input method based on engineering labour hours expended to date relative to the total effort required and/or as the stipulated engineering milestones are delivered. The Group has an enforceable right to payment for performance completed to date, which includes a reasonable profit margin and the performance of such services do not create an asset with an alternative use.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

3 Significant accounting policies (continued)

Revenue (continued)

(b) Identification of contracts

The Group records a revenue contract when all of the following criteria are met:

- The contract has been approved (either in writing, orally or in accordance with other customary business practices) by the parties to the contract, and the parties are committed to perform their respective obligations;
- The Group can identify each party's rights regarding goods or services to be transferred;
- Contracts have commercial substance; and
- It is probable that the Group will collect the consideration to which it will be entitled to in exchange for the goods or services to be transferred to the customer. The Group assesses this through credit checks, past payment history or the request of upfront payment prior to performance of the obligation(s).

The Group sometimes enters into multiple contracts with the same customer that are treated, for accounting purposes, as one contract if the contracts are entered into at, or near, the same time and are interrelated. Judgement is required in evaluating whether various contracts are interrelated, which includes considerations as to whether they were negotiated as a package with a single commercial objective, whether the amount of consideration on one contract is dependent on the performance of the other contract, or if some, or all, services in the contracts are a single performance obligation.

New arrangements with existing customers can be based on either a new contract or the modification of prior contracts. The Group's judgements in making this determination considers whether there is a connection between the new arrangement and the pre-existing contracts, whether the services under the new arrangement are highly interrelated with the products and services provided under prior contracts, and how the products and services under the new arrangement are priced.

(c) Identification of performance obligations

Customer contracts often include various products and services. Typically, the products and services outlined in the Classes of revenue section qualify as separate performance obligations, and the portion of the contractual value is allocated to them. Judgement is required, however, in determining whether goods or service is considered a separate performance obligation.

When selling licences or services, the Group frequently grants customers the choice to acquire additional rights, goods or services (for example, renewals of offerings, specified extensions contained in roadmaps, additional future products, or additional volumes of purchased licence). The Group also utilises forward-looking information such as product roadmaps and other marketing materials in identifying performance obligations for IPs/extensions under development/future products and in considering if implicit promises exist in certain long-term contracts.

Arm Limited

Notes to the Consolidated Financial Statements (continued) For the year ended 31 March 2022

3 Significant accounting policies (continued)

Revenue (continued)

(d) Determination of transaction price

The Group applies judgement when determining the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer. This includes estimates as to whether, and to what extent, subsequent concessions or payments may be granted to customers, which release customers from their obligations to pay contractual fees. In this judgement, historical trends are considered with respect to both the specific customer and broader Group trends. The Company estimates the transaction price based on the amount expected to be received for transferring the promised goods or services in the contract. Consideration payable to a customer is accounted for as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for distinct goods or a service that the customer transfers to the Group. The Group's revenue arrangements generally do not include variable consideration other than royalties.

The estimate is reassessed at each reporting period. Some or all of the estimated amount of such variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group considers all relevant facts and circumstances in assessing whether a contract contains a significant financing component. The Group has not identified significant financing components in its material revenue arrangements executed during the financial year.

(e) Allocation of transaction price

Stand-alone selling prices (SSPs) are usually not directly observable for the Group's products and services. The Group estimates the SSPs so that the Group allocates the transaction price (excluding royalties) to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer. When estimating SSPs, the Group considers all information and maximised the use of observable inputs such as renewal pricing history for the Group's standardised support and professional service offerings.

For offerings that have highly variable pricing and lack substantial direct costs to estimate based on a cost-plus margin approach, the transaction price is allocated by applying a residual approach. This is on the basis that the Group has identified an SSP for other performance obligations in the same arrangement. If two or more goods or services in a contract have highly variable or uncertain SSPs, then the Group applies a combination of methods to estimate the SSPs of the performance obligations in the contract, including utilising list prices, average of selling prices, etc., for initial allocation of revenue within such product groups after applying a residual approach.

For customer agreements related to long-term licensing of architecture IP, the Group allocates the contract value to each of the performance obligations based on an estimate of the engineering efforts required to deliver the initial version of IP as well as related future versions, enhancements and upgrades.

Arm Limited**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2022****3 Significant accounting policies (continued)****Revenue (continued)*****(e) Allocation of transaction price (continued)***

Judgement is required when estimating SSPs. There is also judgement involved to determine whether performance obligations are considered highly variably priced. The SSPs of material right options depend on the probability of option exercise. In estimating these probabilities, judgement is utilised when considering historical exercise patterns. The SSPs are reviewed periodically or whenever facts and circumstances significantly change. These changes are applied prospectively.

(f) Recognition of revenue

Revenue is recognised either at a point in time or over time depending on whether the product delivered is an Intellectual Property (IP) licence, Software as a Service (SaaS), Royalties, Support and Maintenance, or Professional Services:

- IP licences are typically delivered by providing the customer with access to the designs of the licenced IP. The licence period starts when such access is granted. Revenue is recognised for these licences at the point in time when the customer has control over the licence. In judging whether licence offerings grant customers a right to use, rather than a right to access, IP, the usefulness of the licence has been considered. Material rights are recognised upon the earlier of the exercise of the rights or the expiration of the right to exercise. IP is considered to be functionally complete when it reaches the limited access (LAC) milestone, or equivalent. At such milestone, significant testing has been performed and it is expected that there will be no or few remaining errors. LAC is the quality level at which the Group expects customers to be able to tape out their design using the licenced IP.
- Significant architecture extensions are recognised at a point in time when the customer has been provided access to the functional release of the licence. Sales of software, including development systems are recognised upon delivery, when the control has been transferred to the customer.
- SaaS and support revenue is recognised over time as the performance obligation is delivered. Where the performance obligation grants a right to continuously access and use a cloud offering for a certain term, revenue is recognised over time.
- Royalty revenue is recognised when underlying usage or sale occurs, generally when the customer sells its products that incorporate the Group's IP.
- Sales of software, including development systems are recognised upon delivery, when the control has been transferred to the customer. Training services that the Group provides are recognised at a point in time, when such services are delivered.
- Support and Maintenance (S&M) constitutes a stand-ready obligation to the customer that is both provided and consumed simultaneously. Revenue is recognised on a straight-line basis over the period for which support and maintenance is contractually agreed by the Group with the licensee.
- Professional Services, including training, that the Group provides are recognised either at a point in time or over time depending on the nature of the services.
- Professional and design services (such as customised design software) are recognised over time using the input method, based on engineering labour hours expended to date relative to the total effort required and/or as the stipulated engineering milestones are delivered.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

3 Significant accounting policies (continued)

Revenue (continued)

(g) Contract balances

The Group recognises trade receivables in full, when it has the contractual right to invoice the customer over the term of the contract. Judgement is required in determining whether a right to consideration is unconditional and thus qualifies as a receivable. Contract assets for performance obligations are recognised as the performance obligations are satisfied. Accrued royalties are presented as accrued income in trade and other receivables.

Contract liabilities primarily reflect invoices due or payments received in advance of revenue recognition. Typically, the Group invoices either all or a substantial portion of the fees for IP licences upfront on the effective date of the contract. Periodic fixed fees for cloud subscription services, software support services, and other multi-period agreements are typically invoiced in advance. Such fee prepayments account for the majority of the contract liability balance.

(h) Revenue share from Arm China

The Group acts as principal when it controls the specified good or service prior to transfer. When the Group acts as a principal the revenue recorded is the gross amount when performance obligations are satisfied. As part of the intellectual property licensing arrangement ("IPLA") with Arm China, Arm China has obtained the right to sublicense specified IP before delivery to end customers. The Group's responsibility is to facilitate delivery of a good or service to the client in accordance with the detailed specification instructed by Arm China. In these cases, the Group is acting as an agent and does not control the relevant good or service before it is transferred to the client. License revenue includes certain sales and usage based royalties earned from Arm China as per the terms of the IPLA and generally represents a net amount calculated as a percentage of Arm China's sales consideration to end customers under sublicense arrangements.

(i) Incremental costs of obtaining customer contracts

Capitalised costs from customer contracts are classified as non-financial assets on the balance sheet. The capitalised assets for the incremental costs of obtaining a customer contract primarily consist of sales commissions earned by our Sales team. Historically, the incidence of these costs has not been material.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

3 Significant accounting policies (continued)**Share-based payments**

By analogy to the criteria for recognition of a liability under IAS 37, share-based payments are classified as either cash-settled or equity-settled in their entirety depending on which outcome is probable at each reporting date. Any change in the probable method of settlement is treated as a change in accounting estimate, with the cumulative expense 'true-up' to reflect the appropriate charge for the method of settlement now considered probable.

(a) Equity-settled share based payments

The Group operates an equity-settled, share-based compensation plan (the 'RSU' scheme), under which the Group receives services from employees as consideration for equity instruments of Arm Limited. The awards are granted by Arm Limited. The fair value of the employee services received in exchange for the grant of the Restricted Stock Units (RSUs) is recognised as an expense. A credit is recognised directly in equity. The total amount to be expensed is determined by reference to the fair value of the RSUs granted valued using the Monte Carlo option pricing model:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting condition; and
- including the impact of any non-vesting conditions. Non-market performance and service conditions are included in assumptions about the number of RSUs that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of RSUs that are expected to vest based on levels of attrition. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. Where the Group has share-based payments schemes where the settlement under different scenarios may be settled in either equity or cash, the Group evaluates the most likely vesting scenario at the end of each reporting period and applies the relevant accounting policy.

Certain employees of the Company's subsidiaries are beneficiaries of the RSU scheme. In the individual accounts of the Company, where employees are compensated by equity-settled share based payment schemes for services rendered to subsidiary entities, the share-based payment charge arising in the subsidiary company is treated as a capital contribution in the individual accounts from Arm Limited.

(b) Cash-settled share based payments

The Group has certain cash-settled share based payment arrangements for which an option pricing model is used to estimate the fair value of the award. The fair value is charged on a straight-line basis as an expense in the consolidated income statement over the period that the employee becomes unconditionally entitled to the options (vesting period) with a corresponding change in the liability. The fair value of the award is measured initially at the date of grant and then remeasured at the end of each reporting period until the liability is settled and it is also remeasured at the date of settlement; any changes in fair value are recognised in the income statement for the period.

Under the arrangement certain non-market based vesting conditions linked to Group strategic objectives also affect the value of the award; measurement of the liability reflects the best estimate of the amount to settle the liability taking account of these non-market based vesting conditions.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

3 Significant accounting policies (continued)

Leases

(a) The Group as a lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers and small items of office furniture). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

In determining the lease term the Group assesses whether it is reasonably certain to exercise, or not to exercise options to extend or terminate a lease. This assessment is made at the start of the lease and is reassessed if significant events or changes in circumstances occur that are within the Group's control.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated balance sheet.

When the interest rate implicit in the lease is not readily determinable, the Group estimates the incremental borrowing rate based on a risk-free rate adjusted for the effect of the Group's credit risk. The Group made use of certain estimates when determining the incremental borrowing rate to discount lease liabilities. This involved using certain statistical models to calculate the finance spread and default risk the Group is subject to. The entire balance of the right-of-use assets and lease liabilities are exposed to this area of estimation.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

3 Significant accounting policies (continued)

Leases (continued)

(a) The Group as a lessee (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated balance sheet.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative SSP of the lease component and the aggregate SSP of the non-lease components.

(b) The Group as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

3 Significant accounting policies (continued)

Leases (continued)

(b) The Group as a lessor (continued)

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Assets held for sale/distribution and discontinued operations

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale/ held-for-distribution if it is highly probable that they will be recovered primarily through sale or distribution (i.e. dividend in specie) rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale/distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale/distribution and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The profit or loss from a discontinued operation is shown as a single amount on the face of the income statement and the comparatives and related notes restated accordingly. This represents total post-tax profit of the disposal group for the whole of the financial year including any post-tax gain or loss on the measurement of fair value less costs to sell, as well as the post-tax loss on sale of the disposal group. Assets and liabilities classified as held for sale are shown as a separate line on the balance sheet.

Foreign currencies

a) *Functional and presentation currency.* The functional currency of each Group entity is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in United States dollars, which is the presentation currency of the Group and Company.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

3 Significant accounting policies (continued)

Foreign currencies (continued)

b) Transactions and balances. Transactions denominated in foreign currencies have been translated into the functional currency of each Group entity at actual rates of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies have been translated at closing rates of exchange at the balance sheet date. Exchange differences have been included in sales, general and administrative expenses.

c) Group Companies. The results and financial positions of all Group entities (none of which has the currency of a hyper-inflationary economy) with functional currency that is not sterling are translated as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rates of exchange at the balance sheet date.
- (ii) *Income and expenses for each profit and loss presented are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used.*
- (iii) All resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity in translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Government grants

Grants in respect of specific research and development projects are recognised as receivable when there is reasonable assurance that they will be received and the conditions to obtain them have been complied with. Grants are credited to the income statement in the same period as the related research and development costs for which the grant is compensating.

Operating profit

The Group's operating profit is stated before recognising the share of results of associates, finance income, finance costs, loss/gain on disposal of subsidiary/associate.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

3 Significant accounting policies (continued)

Taxation

The current tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates individual positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The benefit of UK research and development is recognised under the UK's Research and Development Expenditure Credit (RDEC) scheme. The benefit is recorded as income included in profit before tax, netted against research and development expenses as the RDEC is of the nature of a government grant.

Deferred taxes are computed using the liability method. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted rates and laws that will be in effect when the differences are expected to reverse. *The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.* Deferred tax assets are recognised to the extent that it is probable that future tax profits will arise against which the temporary differences will be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities arising in the same tax jurisdiction are offset, where the taxation authority permits a single net payment.

In 2013, a decision to elect into the UK patent box regime was made. The UK patent box regime seeks to tax all profits attributable to patented technology at a reduced rate of 10%. As patent box profits are taxed at 10% and other profits are taxed at UK statutory rates, deferred tax assets and liabilities are measured using the average rates expected to apply on realisation or settlement.

The Group recognises liabilities for anticipated tax audit issues based on best estimates of potential additional taxes payable. Provisions are calculated individually based upon advice received from tax advisers and relevant correspondence received from tax authorities. Provisions are reassessed by management at each period end date based upon any relevant new information received. Where the final tax outcome of these matters is different from the amounts recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Current and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

3 Significant accounting policies (continued)**Property, plant and equipment**

Property, plant and equipment is stated at historic cost less accumulated depreciation and any recognised impairment loss. The cost of property, plant and equipment is their purchase cost, together with any costs directly attributable to bringing the asset to its working condition for its intended use. External costs and internal costs are capitalised to the extent they enhance the future economic benefit of the asset.

Assets in the course of construction are carried at cost less any recognised impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than assets under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Freehold buildings	4% per annum
Leasehold improvements	10% – 20% per annum or over the remaining term of the lease, whichever is shorter
Machinery and equipment	20% – 33% per annum
Fixtures, fittings and motor vehicles	20% – 33% per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Assets under the course of construction or are yet to be brought into their intended use or condition are not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately, such as computer software and purchased patents and licences to use technology, are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Amortisation is recognised so as to write off the cost of assets (other than assets under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Patents and licences	3 – 11 years
Computer software	3 – 5 years

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Arm Limited**Notes to the Consolidated Financial Statements (continued)**
For the year ended 31 March 2022**3 Significant accounting policies (continued)****Intangible assets acquired in a business combination (continued)**

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is recognised so as to write off the value of assets over their useful lives, using the straight-line method, on the following bases:

Developed technology	1 – 8 years
Customer relationships	1 – 6 years
Trade names	4 years
In-process research and development	1-5 years

In accordance with IFRS, intangible assets under construction are not amortised until deemed available for use.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

3 Significant accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Research and development expenditure

All ongoing research expenditure is expensed in the period in which it is incurred. Where a product is technically feasible, production and sale are intended, a market exists, expenditure can be measured reliably, and sufficient resources are available to complete the project, development costs are capitalised and amortised on a straight-line basis over the estimated useful life of the respective product. The Group believes its current process for developing products is essentially completed concurrently with the establishment of technological feasibility which is evidenced by a working model. Accordingly, development costs incurred after the establishment of technological feasibility have not been significant and, therefore, no costs have been capitalised to date.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Any collaborative agreement whereby a third party agrees to partially fund the Group's research and development is recognised over the period of the agreement as a credit within research and development expenses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

(a) Recognition and derecognition

Financial instruments, comprising financial assets and financial liabilities, are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or where it neither transfers nor retains substantially all of the risks and rewards of ownership and loses control. When control is retained, the Group continues to recognise the financial asset to the extent of its continuing involvement. Financial assets are also derecognised when they are written off. Financial assets are written off when there is no reasonable expectation of further recoveries even though there may be enforcement actions ongoing.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

3 Significant accounting policies (continued)

Financial instruments (continued)

(a) Recognition and derecognition (continued)

Financial assets and financial liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(b) Classification and measurement

Financial assets and liabilities are initially measured at fair value, inclusive of transaction costs directly attributable to the acquisition or issue of the financial instrument, with the exception of trade receivables which are measured at their transaction price, determined in accordance with the Group's accounting policies for revenue. Subsequently, measurement depends on the financial assets/liabilities classification as follows:

- *Financial assets measured at fair value through profit or loss (FVTPL)*

Non-equity financial assets are classified as FVTPL if they arise from contracts which do not give rise to cash flows which are solely principal and interest, or otherwise where they are held in a business model which mainly realises them through sale.

Specifically, the Group's currency exchange contracts and embedded derivatives fall within this category. Embedded derivatives relate to foreign exchange agreements implicit in sales contracts that are denominated in a currency that is not the functional currency of either party. Gains or losses arising from changes in the fair value of financial assets at FVTPL are presented in the income statement within selling, general and administrative expenses in the period in which they arise.

- *Financial assets measured at fair value through other comprehensive income (FVTOCI)*

Non-equity financial assets are classified as FVTOCI where they arise from contracts that give rise to contractual cash flows which are solely principal and interest and which are held in a business model that realises some through sale and some by holding them to maturity. They are recognised initially at fair value plus any directly attributable transaction costs.

At the end of each reporting period they are remeasured to fair value, with the cumulative gain or loss compared to their amortised cost being recognised in other comprehensive income and in the revaluation reserve, except for the recognition in the income statement of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses.

When these assets are derecognised, the cumulative gain or loss is reclassified from equity to the income statement.

Equity investments not held for trading purposes are designated as at FVTOCI where they are considered strategic to the Group. Such designation is made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Amounts accumulated in the revaluation reserve in respect of these investments are transferred directly to retained earnings on the disposal of the investment. These investments are not subject to impairment.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

3 Significant accounting policies (continued)

Financial instruments (continued)

(b) Classification and measurement (continued)

- *Financial assets measured at amortised cost*

Financial assets are held at amortised cost when they arise from contracts that give rise to contractual cash flows which are solely principal and interest and are held in a business model that mainly holds the assets to collect contractual cash flows.

Financial assets measured at amortised cost that are not purchased or originated credit impaired are measured at amortised cost using the effective interest method. For those purchased or originated credit impaired, the Group applies the credit-adjusted effective interest rate since initial recognition. These assets are also subject to impairment losses. Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated on the amortised cost (that is gross carrying amount less loss allowance). Interest income is included in finance income in the income statement.

- *Financial liabilities at amortised cost*

Financial liabilities, except those designated as at FVPL, are stated at amortised cost using the effective interest method. Interest is included in finance costs in the income statement.

- *Financial liabilities designated as at FVTPL*

The Group has irrevocably designated certain financial liabilities as at FVTPL on initial recognition because they are managed and their performance is evaluated on a fair value basis and information is provided internally on that basis to the Group's key management personnel.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Arm management regards financial guarantees as insurance contracts and elects to apply IFRS 4 on a contract-by-contract basis. The election is considered irrevocable once made. The Group applies measurement for guarantees of debt obligations of a related party by applying an IAS 37 recognition model to record a liability when probable and estimable.

Dividends

Distributions to owners of the Company are not recognised in the income statement under IFRS but are disclosed as a component of the movement in equity. A liability is recorded for a dividend when the dividend is approved by the Company's shareholders. Interim dividends are recognised as a distribution when paid.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

3 Significant accounting policies (continued)

Share capital

Ordinary shares issued by the Company are recorded at the proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount of the outflow can be reliably estimated.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting judgements and key sources of estimation uncertainty for the Group are discussed below.

Critical judgements in applying the Group's accounting policies

Acetone Limited and Arm China

The Group's equity investment in Arm China comprised 48.2% of Arm China's outstanding equity as at 31 March 2021 and was reflected as an associate in the Group's financial statements using the equity method of accounting, which has been applied based on management's judgement that the Group exercises significant influence over Arm China. Factors resulting in such significant influence include (a) the 48.2% equity holding of Arm Limited and associated rights, (b) the long-term intellectual property licensing arrangement (IPLA) with Arm China, and (c) the presence of Arm nominees on the Arm China board of directors.

On 28 March 2022, Arm disposed of 100% of its direct equity holding in Arm China to Acetone Limited. Following the disposal of Arm China, Arm no longer held any direct interest or voting rights in Arm China. The Group's equity investment in Acetone comprised 10% of Acetone Limited's outstanding equity as at 31 March 2022 which the Group received as partial consideration for the sale of Arm China. Acetone Limited has been reflected as an associate in the Group's financial statements using the equity method of accounting, which has been applied based on management's judgement that although Arm holds no board appointment rights or voting rights in Acetone Limited, the group exercises significant influence over Acetone Limited, which holds a 48.2% investment in Arm China, due to (a) the retention of the IPLA with Arm China and (b) the presence of an Arm director on the Arm China board of directors.

The transfer of Arm China equity from Arm Limited to Acetone Limited has been completed, but not registered with PRC authorities, as of the date of these financial statements. The company has been advised and understands that registration status does not affect the validity of the transfer of ownership interest in Arm China and as such the disposal has been accounted for in these financial statements.

Probability of events triggering financial guarantee

As disclosed in note 3 (Going concern) the Group has a guarantee obligation which exposes Arm to credit risk. Management have estimated the probability of events triggering the guarantee to be remote. This assumption is factored into the Group's assessment of the financial guarantee contract under IFRS 4 (see policy, note 3).

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Valuation of investments in early-stage unquoted companies

The Group classifies all of its equity investments which are not subsidiaries or associates as financial assets at fair value through OCI. These investments are initially recognised at fair value and subsequently carried at fair value. For investments in early-stage unquoted companies, where there is often less financial and forecast information available and no positive cashflows, Arm considers that fair value based on observable market inputs in the form of the most recent investment event by Arm or a third party is the best estimate of fair value. Judgement is applied to determine the continued relevance of historic investment events by considering the specific circumstances of each investment, sale and liquidity rights of shares held and external environmental factors.

Uncertain tax positions

As a complex international business, the Group is exposed to uncertain tax positions and changes in legislation in the jurisdictions in which it operates. The Group's uncertain tax positions principally include cross-border transfer pricing and other international tax matters.

Uncertain tax positions are assessed and measured either using management's estimate of the most likely outcome where the issues are binary, or the expected value approach where the issues have a range of possible outcomes. This assessment requires a degree of management judgement that is based on current interpretation of legislation, management experience and professional advice.

Within the consolidated balance sheet at 31 March 2022 for continuing operations are net current tax liabilities of \$158.5 million (2021: \$54.1 million), after offset of tax assets and liabilities arising in the same tax jurisdiction, which include a provision of \$40.5 million (2021: \$64.2 million) relating to uncertain tax positions. Included within this provision is \$15.8 million (2021: \$13.3 million) relating to interest and penalties on uncertain tax positions. Until the tax audits are finally concluded with the relevant tax authorities it is possible that amounts ultimately paid will be different from the amounts provided. The Group estimates the range of reasonably possible outcomes relating to uncertain tax positions to be from \$14.1 million to \$47.8 million.

While there is inherent uncertainty regarding the settlement of the uncertain tax positions pending finalisation of the various enquiries and tax audits, the Group does not expect there to be a material change in the provision for uncertain tax positions in the next 12 months. The movement on the uncertain tax positions reserve in the current period includes releases for provisions following settlements of tax enquiries in the year.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Measurement of deferred tax and Patent Box

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

The appropriate rates applied in measurement are as a result of estimation factors based on the information available at the time. As new information arises or changes in other factors arise, this will impact the future measurement basis.

Deferred tax liabilities of \$223.7 million (2021: \$191.4 million) (note 24) have been measured using a best estimate of the anticipated qualifying apportionment of what will qualify for UK Patent Box tax rates at the point of settlement. This estimate is based on the information available at this financial year end and the measurement will remain subject to change as a result of future commercial decisions that could impact the estimate of qualifying revenues that fall under the UK Patent Box regime.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

5 Revenue

An analysis of the Group's revenue is as follows:

	(As restated)	
	2022	2021
	\$ 000	\$ 000
Technology licensing	1,010,985	593,121
Technology royalty	1,562,787	1,329,297
Tools, software and services	129,752	120,991
	<u>2,703,524</u>	<u>2,043,409</u>
Finance income (note 9)	5,318	8,013
	<u>2,708,842</u>	<u>2,051,422</u>

Geographical information

The Group's revenue from external customers by geographical location is detailed below:

	(As restated)	
	2022	2021
	\$ 000	\$ 000
Europe	208,390	125,808
North America	1,047,092	821,799
Asia	1,448,042	1,095,802
	<u>2,703,524</u>	<u>2,043,409</u>

Constrained variable consideration

As at the reporting date, \$12.0 million (2021: \$13.0 million) of revenue is considered fully constrained and has not been included in amounts allocated to performance obligations. This is on the basis that the amount is variable and contingent on the performance of certain agreed-upon acceptance criteria for which management cannot conclude that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

In a specific revenue transaction, the Group received a warrant right to acquire shares of the customer. Due to the uncertainty associated with the vesting conditions of the warrant, the value of the warrant instrument was deemed fully constrained as management consider it is not highly probable that a significant reversal of revenue will not occur in future periods and therefore the amount was excluded from the transaction price of the revenue arrangement.

Transaction price allocated to unsatisfied performance obligations of long-term contracts

A portion of the Group's contracts are for the delivery of IP and related services within the next 12 months for which the practical expedient in paragraph 121(a) of IFRS 15 applies. However, certain arrangements and contracts have been entered into for which both: (a) the original contractual period was greater than 12 months; and (b) the Group's right to consideration does not correspond directly with the performance of these obligations. The timing of recognition of revenue will depend on a number of factors, including when customers choose to receive products and services. Accordingly, the analysis between time bands below has been estimated, but the final timing may differ from these estimates.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

5 Revenue (continued)

The amount of revenue that will be recognised in future periods on these contracts when those remaining performance obligations will be satisfied is as follows:

	2022 \$ 000
Within 1 year	340,842
Between 1 and 2 years	205,916
More than 2 years	1,204,456
	<u>1,751,214</u>

In the absence of sufficient information, where the timing of satisfaction of the remaining performance obligations is dependent on a customer's action, the transaction price allocated to such performance obligation is included in the more than 2 years category unless contract or option expiration aligns with an earlier period or category.

6 Profit/(loss) for the year

Profit/(loss) for the year has been arrived at after charging/(crediting):

	2022 \$ 000	2021 \$ 000
Net foreign exchange (gains)/losses	(6,967)	114
Research and development costs	933,677	1,017,596
Depreciation of property, plant and equipment (note 16)	77,846	76,669
Depreciation of right-of-use assets (note 17)	38,702	45,518
Loss on disposal of property, plant and equipment	1,155	2,849
Amortisation of intangible assets (note 15)	101,633	124,707
Reclassification of OCI on disposal of associate	(32,415)	-
Cost of inventories recognised as expense	4,277	3,829
Government grants – research and development expenditure credit	(84,333)	(86,943)
Expected credit loss recognised on trade receivables	27,785	12,337
Restructuring	25,770	-
Loss on disposal of subsidiary (note 12)	375	-
Share based payment (credit)/charge (note 8)	(46,152)	144,259
Impairment loss on investments in associates	-	10,669
Impairment loss on right-of-use assets	2,078	2,947
Impairment loss recognised on property, plant and equipment	13,597	-
Impairment loss recognised on other intangible assets	19,977	-
Impairment loss recognised on loans receivables	-	23,044
Impairment (credit)/charge recognised on other receivables	(14,143)	14,260
Impairment loss recognised on other intangible assets (recognised in discontinued operations)	21,751	-
Impairment loss on goodwill (recognised in discontinued operations)	<u>4,783</u>	<u>-</u>

Figures presented above are inclusive of continuing and discontinued operations.

During the year, the Group received a grant from Innovate UK for works connected to the creation of a new centrally secured technology platform prototype. The credit to the income statement in the year in respect of this grant amounted to \$15.3 million (2021: \$23.8 million). The maximum total value of this contract is \$42.7 million.

Arm Limited**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2022****7 Auditor's remuneration**

The analysis of the auditor's remuneration is as follows:

	2022	2021
	\$ 000	\$ 000
Fees payable to the Company's auditor and their associates for the audit of the Company's and the Group's annual accounts	2,864	3,088
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries	326	237
Total audit fees	3,190	3,325
Audited related assurance	342	281
Taxation compliance services	29	7
Other services	32	221
	3,593	3,834

A breakdown of fees payable to Deloitte LLP and their associates for non-audit services to the Company is not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

8 Staff costs

The average monthly number of employees (including executive directors) was:

	2021
Technical	5,615
Non-technical	1,278
Total	<u>6,893</u>
	2022
Engineering	4,810
Non-engineering	1,618
Total	<u>6,428</u>

During the year management changed methodology for categorising the Group's employees by function, resulting in a split between engineering and non-engineering as the most representative way to record the activities of the Group. The change to methodology was instituted during the year, and as such a comparative number is unavailable.

Their aggregate remuneration comprised:

	2022	2021
	\$ 000	\$ 000
<i>Wages and salaries</i>	1,183,484	1,177,041
Social security costs	128,577	126,800
Other pension costs (note 31)	<u>77,015</u>	<u>67,643</u>
	1,389,076	1,371,484
Share-based payments (note 30)	(46,152)	144,259
Total	<u>1,342,924</u>	<u>1,515,743</u>

Share-based payment expense has reduced during the current year, principally related to the change in classification from cash-settled to equity-settled of the 'All Employee Plan' ('AEP'). All charges for the AEP scheme are recorded as equity-settled. See note 30 for further details.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

9 Finance income

	2022	2021
	\$ 000	\$ 000
Interest income	2,636	4,807
Interest received from equity investments designated as at FVTOCI (note 20)	110	-
Dividends received from equity investments designated as at FVTOCI (note 20)	2,572	3,206
Total finance income	5,318	8,013

Finance income relates entirely to assets that are not measured at fair value through profit or loss.

10 Finance costs

	2022	2021
	\$ 000	\$ 000
Interest on lease liabilities (note 17)	7,629	7,308
Unwinding of discounts on provisions (note 26)	250	258
Other finance (income)/costs	(587)	1,093
Total finance costs	7,292	8,659

During the year \$1.3 million of other finance costs that were accrued in prior years were reversed due to a lower than expected interest charge.

11 Tax

		(As restated)
	2022	2021
	\$ 000	\$ 000
Analysis of charge to profit or loss in the year:		
Current tax:		
Current tax on profits for the year	231,704	157,362
Adjustments in respect of prior years	(14,065)	(2,393)
Total current tax	217,639	154,969
Deferred tax:		
Origination and reversal of temporary differences	28,738	(138,621)
Adjustment in respect of prior years	(6,609)	(6,616)
Total deferred tax	22,129	(145,237)
Income tax expense	239,768	9,732
Income tax expense reported in the income statement	208,838	20,912
Income tax expense/(credit) attributable to discontinued operations	30,930	(11,180)
	239,768	9,732
Analysis of charge to other comprehensive income in the year:		
Deferred tax:		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on investments in equity instruments designated as at FVTOCI	34,506	68,106
	34,506	68,106

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

11 Tax (continued)

The tax charge for the year was different from the standard rate of corporation tax in the UK, as explained below:

	(As restated)	
	2022	2021
	\$ 000	\$ 000
Profit before tax from continuing operations	805,104	91,090
Loss before tax from discontinued operations	(94,395)	(192,866)
Profit/(loss) before tax	<u>710,709</u>	<u>(101,776)</u>
Profit/(loss) before tax at the corporation tax rate of 19% (2021: 19%)	135,035	(19,338)
Effects of:		
Adjustments in respect of prior years	(20,675)	(9,008)
Adjustments in respect of foreign tax rates	7,917	7,227
Research and development tax credits	(16,201)	(5,064)
Current impact of UK patent box regime	(69,883)	(10,298)
Deferred tax assets recognised	(8,283)	(77,945)
Foreign withholding tax	51,364	98,391
Gain on disposal of shares in Arm China	94,421	-
US tax on disposal of Treasure Data and IoT	33,001	-
Impact of UK rate change to 25% *	37,464	-
Provision for adjustments in respect of transfer pricing	6,427	13,747
Other **	(10,819)	12,020
Total taxation	<u>239,768</u>	<u>9,732</u>

* Relates to the impact of 25% UK rate increase from 1 April 2023 on UK deferred balances

** Includes expenditure permanently disallowable for tax purposes and additional tax payable on income

In the prior year, the UK Government had announced that the main rate of corporation tax would increase to 25% from 1 April 2023. This change was then substantively enacted during the period and therefore the impact of this change is included in these financial statements.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Arm Limited**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2022****12 Disposal of subsidiaries and discontinued operations**

Following a strategic decision in the prior year to place greater focus on the Group's core IP licensing business, a decision was taken to dispose, through distribution and sale, the below operations to the Company's immediate shareholders. In line with this change in strategic priority the Group disposed of its 100% subsidiary, SeeChange Technologies Limited to a third party.

Treasure Data Group

On 25 June 2021, the Group distributed a controlling stake in its 100% subsidiary Treasure Data, Inc. and its subsidiaries ('Treasure Data'). The distribution was made through a dividend in specie (note 13) to another subsidiary of SoftBank Group Corp.

Treasure Data consists of the following entities that are no longer subsidiaries of Arm Limited:

Treasure Data (UK) Limited, Treasure Data (Canada) Inc, Treasure Data (France) SAS, Treasure Data (Korea) Limited, Treasure Data KK, Treasure Data (India) Private Limited, Treasure Data Inc., Treasure Data GmbH.

The net assets and liabilities of Treasure Data at date of distribution were as follows:

	25 Jun 2021 \$ 000	31 Mar 2021 \$ 000
Assets		
Goodwill	34,085	33,960
Other intangible assets	67,952	67,952
Property, plant and equipment	798	725
Trade and other receivables	31,745	28,677
Investments in associates	3,456	3,506
Contract assets	84	401
Deferred tax assets	667	1,362
Cash and cash equivalents	39,749	20,163
Total assets	178,536	156,746
Liabilities		
Trade and other payables	44,173	50,258
Deferred tax liabilities	13,712	13,712
Contract and other related liabilities	22,414	20,840
Loan payable	50,044	-
Current tax liabilities	259	1,135
Provisions	6	6
Total liabilities	130,608	85,951
Net assets distributed	47,928	70,795
Net cash outflow on distribution of subsidiary		
Cash and cash equivalent distributed	(39,749)	
Net cash outflow	(39,749)	

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

12 Disposal of subsidiaries and discontinued operations (continued)

Treasure Data was previously classified as held-for-distribution and as discontinued operations. The results for Treasure Data for the period until distribution (25 June 2021) are presented as part of discontinued operations separately from continuing operations. During the period the Group incurred a tax expense of \$32.2 million in relation to the distribution in specie of Treasure Data on 25 June 2021. This tax expense is included within discontinued operations.

Intra-group transactions have been fully eliminated in the results shown below:

	Period to 25 Jun 2021 \$ 000	Year ended 31 Mar 2021 \$ 000
Revenue	26,669	88,154
Expenses	(44,131)	(170,173)
Loss before tax	(17,462)	(82,019)
Attributable tax (expense)/credit	(32,159)	592
Net loss attributable to Treasure Data Group	(49,621)	(81,427)

Cash Flow Statement

	Period to 25 June 2021 \$ 000
Net cash flows used in operating activities	(30,341)
Net cash flows used in investing activities	(73)
Net cash flows from financing activities	50,000
	19,586

SeeChange Technologies Limited

On 30 September 2021, the Group disposed of a controlling stake in its 100% subsidiary SeeChange Technologies Limited ('SeeChange') for consideration of \$87k to a third party.

	\$ 000
Proceeds	87
Net assets disposed	(462)
Loss on disposal	(375)

The results of SeeChange for the period are not material to the Group and are included within continuing operations.

Internet of Things Platform (IoTP)

On 30 November 2021, the Group sold 100% of its ownership in Pelion IOT Limited and its subsidiaries for consideration of \$12.0 million to another subsidiary of SoftBank Group Corp.

The IoTP Group consists of the following entities that are no longer subsidiaries of Arm Limited:

Pelion IoT Limited, Pelion Inc., Pelion Technology Inc., Pelion (Finland) OY, Pelion (India) Private Limited, IoT Pelion (Israel) Limited, Pelion (Japan) KK, Stream Technologies LLC, Kigen (UK) Limited, Kigen Denmark ApS, Kigen (France) SAS, Kigen (India) Private Limited, Kigen KK, Kigen South Africa Proprietary Limited, Kigen LLC, Kigen (UK) Limited – Ireland Branch, Kigen (UK) Limited – Singapore Branch.

Arm Limited**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2022****12 Disposal of subsidiaries and discontinued operations (continued)**

The net assets and liabilities of IoTP at date of disposal were as follows:

	30 Nov 2021 \$ 000	31 Mar 2021 \$ 000
Assets		
Goodwill	-	4,783
Other intangible assets	11,159	35,183
Property, plant and equipment	3,796	8,569
Right-of-use assets	9,472	9,752
Trade and other receivables	9,624	6,609
Contract assets	3,497	4,420
Deferred tax assets	1,808	8,151
Inventories	361	166
Current tax assets	2,088	1,106
Cash and cash equivalents	3,197	22,376
Total assets	45,002	101,115
Liabilities		
Trade and other payables	15,555	37,715
Deferred tax liabilities	5,306	4,783
Contract and other related liabilities	1,176	1,856
Lease liabilities	9,659	11,059
Current tax liabilities	-	313
Provisions	1,306	796
Total liabilities	33,002	56,522
Net assets	12,000	44,593
Net cash outflow/inflow on disposal of subsidiary		
Cash and cash equivalents disposed of	(3,197)	
Net cash outflow	(3,197)	

During the period to disposal on 30 November 2021, capital contributions of \$63.7 million were received by IoTP from a subsidiary company of Arm Limited.

Consideration of \$12.0 million in respect of this sale is recorded within current other receivables.

IoTP was previously classified as held-for-distribution and as discontinued operations. During August 2021, it was determined that the IoTP business would be sold to the Company's immediate shareholders rather than distributed, therefore assets held in relation to IoTP were reclassified from Assets held for distribution to Assets held for sale. An impairment loss of \$26.5 million was recognised on classification as held for sale. This impairment is included within discontinued operations. The results for the IoTP Group for the period until sale (30 November 2021) are presented as part of discontinued operations separately from continuing operations.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

12 Disposal of subsidiaries and discontinued operations (continued)

Intra-group transactions have been fully eliminated in the results shown below:

	Period to 30 Nov 2021 \$ 000	Year Ended 31 Mar 2021 \$ 000
Revenue	14,386	30,305
Expenses	(91,319)	(141,153)
Loss before tax	(76,933)	(110,848)
Attributable tax credit	1,229	10,588
Net loss attributable to IoT	(75,704)	(100,260)

Cash Flow Statement

	Period to 30 Nov 2021 \$ 000
Net cash flows used in operating activities	(78,652)
Net cash flows used in investing activities	(748)
Net cash flows from financing activities	60,220
	(19,180)

Total discontinued operations inclusive of Treasure Data and IoT

	2022 \$ 000	2021 \$ 000
Revenue	41,055	118,459
Expenses	(135,450)	(311,326)
Loss before tax	(94,395)	(192,867)
Attributable tax (expense)/credit	(30,930)	11,180
Net loss attributable to discontinued operations	(125,325)	(181,687)

Cash Flow Statement

	2022 \$ 000	2021 \$ 000
Net cash flows used in operating activities	(108,993)	(257,700)
Net cash flows used in investing activities	(821)	(2,683)
Net cash flows from financing activities	110,220	272,790
	406	12,407

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

13 Dividends

On 25 June 2021, the Group distributed in specie its shareholding in the Treasure Data Group (note 12) to a subsidiary of SoftBank Group Corp., which represented a dividend of \$47.9 million.

On 28 March 2022, the Group distributed in specie its investment in Arm Technology (China) Co. Ltd (note 19) to the owners of the Company, which represented a dividend in specie of \$780.7 million.

An interim cash dividend of \$750.0 million (\$0.73 per share) was declared and paid to the owners of the Company on 26 February 2021.

14 Goodwill

	\$ 000
Cost	
At 1 April 2020	1,645,604
Exchange differences	29,881
Reclassified to assets held for distribution	<u>(38,743)</u>
At 31 March 2021	1,636,742
Exchange differences	(14,062)
At 31 March 2022	<u>1,622,680</u>
Accumulated impairment losses	
At 1 April 2020	<u>-</u>
At 31 March 2021	<u>-</u>
At 31 March 2022	<u>-</u>
Carrying amount	
At 31 March 2022	<u>1,622,680</u>
At 31 March 2021	<u>1,636,742</u>
At 1 April 2020	<u>1,645,604</u>

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

14 Goodwill (continued)

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculation were:

New Arm

The recoverable amount of 'New Arm' CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period and a post-tax discount rate of 10% per annum. For years 6 to 14 in the forecast, an assumed year on year growth rate in revenue of 2% has been applied and other valuation assumptions remain the same. Beyond 14 years, a terminal growth rate of 2% is applied. Given the long-term nature of the Arm licensing and royalty business model, it is considered appropriate to use the above method to assess the expected future cash flows to be generated from the assets under review.

The key assumptions used by management in setting the financial budgets for the initial five-year period were as follows:

Revenue growth

Revenue growth assumptions are based on financial budgets and forecasts approved by senior management, taking into account typical semiconductor industry growth rates and Arm's historical experience in the context of wider industry and economic conditions.

Operating margins

Operating margins, measured based on EBITDA, have been assumed to improve steadily over the period of the calculation.

Conclusion

The directors are confident that the amount of goodwill is not impaired and that the assumptions used in estimating its recoverable amount are appropriate. In making this assessment the directors have considered possible scenarios, such as changes to revenue growth rates, terminal growth rates and the discount rate used, that could result in an impairment and carried out a sensitivity analysis of the forecasts underpinning the cash flow forecasts. This sensitivity analysis takes account of actual results to date. The directors are satisfied, based on all this work, that there is no impairment of goodwill.

Arm Limited**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2022****15 Other intangible assets**

	Patents and licences \$ 000	Developed technology \$ 000	Customer relationships \$ 000	Trade names \$ 000
Cost				
At 1 April 2020	171,993	239,024	63,686	1,699
Additions	-	-	-	-
Exchange differences	(1,398)	12,568	398	-
Reclassified to assets held for distribution	(128)	(108,863)	(49,500)	(1,699)
At 31 March 2021	170,467	142,729	14,584	-
Additions	7,500	-	-	-
Exchange differences	-	(5,320)	-	-
Reclassification *	-	7,598	(7,598)	-
Reclassified from assets held for distribution **	-	20,109	-	-
At 31 March 2022	177,967	165,116	6,986	-
Amortisation and impairment				
At 1 April 2020	129,410	119,354	16,407	744
Charge for the year	16,503	27,832	6,144	390
Exchange differences	(1,318)	7,427	52	-
Reclassified to assets held for distribution	(49)	(43,990)	(15,722)	(1,134)
At 31 March 2021	144,546	110,623	6,881	-
Charge for the year	12,286	12,413	848	-
Exchange differences	-	(664)	-	-
Impairment charge	-	19,977	-	-
Reclassification *	-	1,306	(1,306)	-
Reclassified from assets held for distribution **	-	12,289	-	-
At 31 March 2022	156,832	155,944	6,423	-
Carrying amount				
At 31 March 2022	21,135	9,172	563	-
At 31 March 2021	25,921	32,106	7,703	-
At 1 April 2020	42,583	119,670	47,279	955
Average remaining useful life	1.9 years	2.1 years	0.6 years	-

* Relates to customer relationships that were classified as developed technology within assets held for distribution in the prior year. These assets comprised part of IoT's other intangible assets balance as at the date of distribution (see note 12).

** Relates to reclassification of developed technology that had been included as part of assets held for distribution at 31 March 2021, but was subsequently confirmed to remain with the Group as part of continuing operations.

All amortisation on intangible assets is charged to the income statement in either cost of sales, research and development costs or selling, general and administrative costs as dependent upon the nature of the asset.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

15 Other intangible assets (continued)

	Computer software \$ 000	Intangible assets under construction \$ 000	In-process research and development \$ 000	Total \$ 000
Cost				
At 1 April 2020	188,116	20,922	38,728	724,168
Additions	73,460	39,865	-	113,325
Transfers (note 16)	40,357	(40,114)	-	243
Disposals	(66,992)	(534)	-	(67,526)
Exchange differences	87	-	-	11,655
Reclassified to assets held for distribution	(4,656)	-	(4,600)	(169,446)
At 31 March 2021	230,372	20,139	34,128	612,419
Additions	66,568	22,543	-	96,611
Transfers (note 16)	11,102	(11,102)	-	-
Disposals	(64,656)	(1,195)	-	(65,851)
Exchange differences	-	-	-	(5,320)
Reclassification	-	-	-	-
Reclassified from assets held for distribution	-	-	-	20,109
At 31 March 2022	243,386	30,385	34,128	657,968
Amortisation and impairment				
At 1 April 2020	74,008	-	37,195	377,118
Charge for the year	73,236	-	602	124,707
Disposals	(63,463)	-	-	(63,463)
Exchange differences	38	-	-	6,199
Reclassified to assets held for distribution	(1,747)	-	(3,669)	(66,311)
At 31 March 2021	82,072	-	34,128	378,250
Charge for the year	76,086	-	-	101,633
Disposals	(60,333)	-	-	(60,333)
Exchange differences	2,050	-	-	1,386
Impairment charge	-	-	-	19,977
Reclassification	-	-	-	-
Reclassified to assets held for distribution	-	-	-	12,289
At 31 March 2022	99,875	-	34,128	453,202
Carrying amount				
At 31 March 2022	143,511	30,385	-	204,766
At 31 March 2021	148,300	20,139	-	234,169
At 31 March 2020	114,108	20,922	1,533	347,050
Average remaining useful life	1.9 years	-	-	

Arm Limited**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2022****16 Property, plant and equipment**

	Leasehold improve- ments \$ 000	Machinery and Equipment \$ 000	Fixtures, fittings and motor vehicles \$ 000	Assets under construction \$ 000	Total \$ 000
Cost					
At 1 April 2020	139,683	217,225	38,232	5,836	400,976
Additions	19,608	61,707	3,255	19,128	103,698
Transfers (note 15)	20,221	(2,732)	3,247	(20,980)	(244)
Disposals	(6,892)	(22,010)	(533)	(916)	(30,351)
Exchange differences	403	521	169	213	1,306
Reclassified to assets held for distribution	(6,450)	(8,522)	(1,477)	(389)	(16,838)
At 31 March 2021	166,573	246,189	42,893	2,892	458,547
Additions	383	26,356	3,817	3,798	34,354
Transfers (note 15)	6,333	447	97	(6,502)	375
Disposals	(5,432)	(18,849)	(310)	(43)	(24,634)
Exchange differences	5,255	3	5,884	-	11,142
At 31 March 2022	173,112	254,146	52,381	145	479,784
Depreciation					
At 1 April 2020	32,151	118,170	16,215	-	166,536
Charge for the year	20,840	47,626	8,203	-	76,669
Transfers	728	(3,014)	2,286	-	-
Disposals	(2,873)	(20,360)	(413)	-	(23,646)
Exchange differences	(1,731)	7,813	(5,074)	-	1,008
Reclassified to assets held for distribution	(1,227)	(5,673)	(644)	-	(7,544)
At 31 March 2021	47,888	144,562	20,573	-	213,023
Charge for the year	23,368	48,632	5,846	-	77,846
Transfers	-	311	64	-	375
Disposals	(34)	(16,342)	-	-	(16,376)
Impairment charge	13,597	-	-	-	13,597
Exchange differences	1,657	(1,024)	9,640	-	10,273
At 31 March 2022	86,476	176,139	36,123	-	298,738
Carrying amount					
At 31 March 2022	86,636	78,007	16,258	145	181,046
At 31 March 2021	118,685	101,627	22,320	2,892	245,524
At 31 March 2020	107,532	99,055	22,018	5,836	234,440

Arm Limited**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2022****17 Leases****(a) Right-of-use assets**

The carrying amount of the Group's right-of-use assets is set out below:

	Property \$ 000	Motor vehicles \$ 000	IT equipment \$ 000	Total \$ 000
At 1 April 2021	234,176	353	34,282	268,811
Additions ^a	5,427	98	4,160	9,685
Depreciation charge for the year	(27,509)	(204)	(10,989)	(38,702)
Other movements ^b	(8,860)	(53)	-	(8,913)
Exchange differences	(648)	16	-	(632)
At 31 March 2022	202,586	210	27,453	230,249

^aAdditions comprise increases to right-of-use assets as a result of entering into new leases and upwards remeasurement of existing leases arising from lease extensions or reassessments and increases to lease payments.

^bOther movements relate to terminated leases and downwards remeasurements of right-of-use assets arising from reduction or reassessments of lease terms and decreases in lease payments. Other movements in the year ended 31 March 2022 include impairment charges of \$2.1 million.

The Group leases several assets including property, motor vehicles and IT equipment. Rental contracts are typically made for a fixed period of 2 to 25 years (2021: 2 to 20 years).

(b) Lease liabilities

The carrying amount of lease liabilities at 31 March 2022 is set out below:

	Property \$ 000	Motor vehicles \$ 000	IT equipment \$ 000	Total \$ 000
Current	23,788	118	9,609	33,515
Non-current	209,446	68	16,767	226,281
	233,234	186	26,376	259,796

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

17 Leases (continued)**(b) Lease liabilities (continued)**

The maturity of the gross contractual undiscounted cash flows due on the Group's lease liabilities is set out below based on the period between 31 March 2022 and the contractual maturity date.

	Within 1 year \$ 000	Between 1 and 5 years \$ 000	Over 5 years \$ 000	Total \$ 000
Property	29,732	82,098	177,113	288,943
Motor vehicles	118	68	-	186
IT equipment	10,010	17,243	-	27,253
	<u>39,860</u>	<u>99,409</u>	<u>177,113</u>	<u>316,382</u>

(c) Impact on the consolidated income statement

	2022 \$ 000	2021 \$ 000
Depreciation charge of right-of-use assets		
Property	27,509	36,379
Motor vehicles	204	287
IT equipment	10,989	8,852
	<u>38,702</u>	<u>45,518</u>
 Interest expense	 7,629	 7,308
Expense relating to short-term and low-value leases	<u>1,575</u>	<u>4,462</u>

18 Subsidiaries

The Group consists of a parent company, Arm Limited, incorporated in the United Kingdom, and a number of subsidiaries held directly and indirectly by Arm Limited, which operate and are incorporated around the world. Note 41 to the Company's separate financial statements lists details of the interests in subsidiaries.

All subsidiaries are owned 100% by the Group. There are no non-controlling interests in the Group's subsidiaries. There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

19 Associates

	Arm China \$ 000	Acetone Limited \$ 000	Other \$ 000	Total \$ 000
At 1 April 2020	749,032	-	24,996	774,028
Investments:				
– financed by cash	-	-	3,636	3,636
Share of results for the year	13,865	-	(1,512)	12,353
Share of OCI for the year	371	-	-	371
Impairment loss	-	-	(10,669)	(10,669)
Reclassified to assets held for distribution	-	-	(3,506)	(3,506)
Foreign exchange	62,401	-	433	62,834
At 31 March 2021	<u>825,669</u>	<u>-</u>	<u>13,378</u>	<u>839,047</u>
Investments:				
– financed by cash	-	-	100	100
– reclassification	(86,742)	86,742	-	-
Share of results for the year	14,295	-	(870)	13,425
Share of OCI for the year	(4,349)	-	-	(4,349)
Fair valuation gain on associate held at fair value	-	-	14,574	14,574
Impairment loss	-	-	-	-
Foreign exchange	31,806	-	5	31,811
Distribution in specie of associate	(780,679)	-	-	(780,679)
At 31 March 2022	<u>-</u>	<u>86,742</u>	<u>27,187</u>	<u>113,929</u>

Reclassification relates to the Group's investment in Acetone Limited. Additional details on this transaction are included subsequently in this note.

	2022 \$ 000	2021 \$ 000
Equity investments in associates	113,929	839,047
Loans to associates	3,029	-
Total	<u>116,958</u>	<u>839,047</u>

Share of results of associates

The Group recognises its share of results first against the equity investment, then, if there are additional share of results to record, against any loans to associates. The share of results was recorded as follows:

	2022 \$ 000	2021 \$ 000
Equity investments in associates	13,425	12,353
Total share of results for the year	<u>13,425</u>	<u>12,353</u>

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

19 Associates (continued)

Details of the Group's associates at 31 March 2022 are as follows:

Name	Place of business and registered office address	Principal activity	Holding	Proportion of ownership interest %	Proportion of voting power held %
Accelerator Advisory Limited *	Mills & Reeve LLP, Botanic House, 100 Hills Road, Cambridge, CB2 1PH, United Kingdom	Technology accelerator	Ordinary shares	27.9	27.9
Acetone Limited	PO Box 500, Grand Cayman, KY1-1106, Cayman Islands	Holding Company	Ordinary shares **	10.0	10.0
Arduino SA	Via Ferruccio Pelli, 6900 Lugano, Ticino, Switzerland	Computer programming activities	Preferred shares ***	15.7	15.7
Arm IOT Fund LP (Taiwan)*	PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands	Investor in early-stage IoT ventures	Contributed capital****	25.6	25.6
Cerfe Labs, Inc.	9401 Honeycomb Drive, Austin, Texas, 78737-1132, United States	Development of CeRam memory technology	Ordinary shares	20.0	20.0
Linaro Limited	Harston Mill, Harston, Cambridge, CB22 7GG, United Kingdom	Software engineering collaboration	None *****	25.0	25.0

* Investment owned indirectly by the Company.

** The Group is considered to have significant influence over Acetone Limited. Refer to note 4 for details.

*** The Group is considered to have significant influence over the entity by way of a material loan to the company and by influence over the entity's board of directors. The investment in Arduino SA is held at fair value.

**** The Group is considered to have significant influence over Arm IOT Fund LP (Taiwan) by virtue of the composition of the fund's board of directors.

***** The Group is one of four Core Members of Linaro Limited; the Core Members jointly control the business.

INCUDATA Corp., a company previously classified as an associate, was included within the distribution of the TD Group (note 12).

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

19 Associates (continued)**Acetone Limited**

As at 31 March 2022, the net assets of Acetone Limited were \$930.3 million (all of which relates to its investment in 48.2% of Arm China).

Arm Technology (China) Co. Limited

On 28 March 2022, the Group sold its shareholding of 48.181% in Arm Technology (China) Co. Limited ('Arm China') to another subsidiary of SoftBank Group Corp. for consideration of \$930.3 million. The consideration was exchanged for a promissory note equal to 90% of the consideration and shares in the subsidiary equal to the remaining 10% of the consideration. On 28 March 2022, the promissory note receivable was distributed to the Group's shareholders. Following the distribution and in satisfaction of the balance of the consideration left outstanding, Acetone Limited issued new shares to Arm Limited such that the obligation of Acetone Limited in respect of the payment of the consideration left outstanding was satisfied fully and extinguished. Refer to note 4 for detail on the Group's significant influence over Acetone Limited. Arm indirectly holds 4.8% in Arm China through Acetone Limited. The transfer of Arm China equity from Arm Limited to Acetone Limited has been completed, but not registered with PRC authorities, as of the date of these financial statements. The company has been advised and understands that registration status does not affect the validity of the transfer of ownership interest in Arm China and as such the disposal has been accounted for in these financial statements.

Due to the common control nature of the transaction, the transitory nature of the Group's holding of the promissory note and the similarity between a holding in Acetone Limited (a new company holding only shares in Arm China) and a direct holding in Arm China, the Group considered it appropriate to account for the disposal of shares in Arm China at book value (total book value of \$867.4m) and receipt of shares in Acetone as a distribution of 90% of its interest in Arm China at book value (90% of book value: \$780.7m). The Group reclassified 90% of gains previously recognised in other comprehensive income to profit and loss on distribution of Arm China.

A current tax expense of \$102.6 million and stamp duty of \$0.9 million arose on the distribution in the current year.

The summarised financial information detailed below is based on Arm China's financial statements prepared in accordance with IFRS, up to the point that the investment was distributed.

The net assets of Arm China at date of distribution were as follows:

	28 Mar 2022 \$ 000
Non-current assets	445,199
Cash and cash equivalents	292,029
Other current assets	496,818
Current assets	788,847
Total assets	1,234,046
Current liabilities	704,611
Non-current liabilities	298,545
Total liabilities	1,003,156
Net assets	230,890

The carrying value of assets of Arm China at date of distribution were as follows:

	Carrying value \$ 000	Group's ownership interest	Share of carrying value \$ 000
Net assets of associate at the proportion of Group ownership	230,890	48.18%	111,245
Group's share of unrecognised intangible assets	1,315,213	48.18%	633,683
Goodwill	254,236	48.18%	122,493
Carrying value of the Group's interest in the associate	1,800,339		867,421

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

19 Associates (continued)**Arm Technology (China) Co. Limited (continued)**

The Group's share of unrecognised intangible assets related to the fair value of intangible assets measured in accordance with IFRS 3 'Business Combinations' that were measured at the date (June 2018) Arm Technology (China) Co. Limited ceased being a subsidiary and are not recognised in the IFRS financial statements of Arm Technology (China) Co. Limited. The Group recognised its share of amortisation in respect of these intangible assets in the share of results of associates within the income statement. As at the distribution date the remaining useful life of these intangible assets was 36 years.

\$780.7 million was distributed in specie to the parent company on disposal of the Arm China associate. This represents 90% of the \$867.4m carrying value of the Group's interest in Arm China prior to the distribution in specie taking place. The remaining 10% of the carrying value of Arm China (\$86.7 million) was reclassified and presented as an associate investment in Acetone Limited - see table at beginning of this note.

The summarised statement of comprehensive income of Arm China for the period to 28 March 2022 was as follows:

	Period to 28 Mar 2022 \$ 000
Revenue	697,106
Profit from continuing operations	55,854
Other comprehensive income	(6,543)
Total comprehensive income	49,311

Profit for the year arose entirely from continuing operations.

The Group's financial results include a share of Arm China's revenue owed to the Group by Arm China under the terms of the licensing arrangement, as well as the proportionate share of Arm China's comprehensive income consistent with the equity method of accounting.

The impact on the financial position and results of the Group from the investment in Arm China is summarised in the tables below:

	As at 31 Mar 2022 \$ 000	As at 31 Mar 2021 \$ 000
Investment in associates reflected in Group's consolidated financial results	-	825,669
Net trade and other receivables	411,258	286,951
	Year Ended 31 Mar 2022 \$ 000	Year Ended 31 Mar 2021 \$ 000
Revenue	459,291	407,072
Group's share of the associate's total comprehensive income	9,946	14,236

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

19 Associates (continued)**Arm Technology (China) Co. Limited (continued)**

Arm Limited, HOPU Investment, and SoftBank Group, acting in their capacity as direct and indirect shareholders holding a majority equity interest in Arm China, announced on 29 April 2022 that Arm China's longstanding corporate governance issue had been resolved following a unanimous vote by the Arm China Board of Directors. The disputes were previously preventing appointment of statutory and component auditors for Arm China. Auditors were subsequently appointed and outstanding audits were complete as at the date of the signing of these financial statements. Investigations performed did not identify any findings over allegations made about the conduct of certain members of senior management in Arm China (see prior year financial statements).

The Group has reflected the revenue and share in Arm China's total comprehensive income based on financial data received from Arm China. Further, the Group has performed a reconciliation of the Trade and other receivables balance with the information provided by Arm China. The amounts reflected in the tables above or other disclosures in these financial statements were subject to adjustment and prior period restatement. See note 1.

20 Investments

	2022	2021
	\$ 000	\$ 000
Investments in equity instruments designated as FVTOCI		
Unlisted shares	608,756	533,292
	<u>608,756</u>	<u>533,292</u>
 Loans receivable carried at amortised cost		
Loans to other entities	5,146	3,449
	<u>5,146</u>	<u>3,449</u>
 Total investments	<u>613,902</u>	<u>536,741</u>

Unlisted shares represent either direct or indirect, through a capital fund, investments in unlisted early-stage development enterprises that are generating value for shareholders through research and development activities.

Equity securities designated as FVTOCI

Ambiq Micro, Inc.
 Ampere Computing Holdings LLC
 Blu Wireless Technology Limited
 Cambridge Innovation Capital II LP
 Cambridge Innovation Capital Limited
 Catapult Ventures I, LP
 China Walden Ventures Investments II, L.P.
 China Walden Ventures Investments III, L.P.
 DeepTech Labs Fund 1 LP
 Easology Limited
 HOPU-ARM Innovation Fund GP Limited
 HOPU-ARM Innovation Fund, L.P.
 Pragmatic Semiconductor Limited
 Shanghai Walden Venture Capital Enterprise
 Spin Memory, Inc.
 SWIM.AI, Inc.
 Triad Semiconductor, Inc.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

20 Investments (continued)

The fair value of these investments varies with the type of investment held. Where external factors providing evidence for valuation are not available, direct investments are measured approximate to cost. Indirect investments are valued as a proportion of the fund's net asset value (NAV). All investments held by the Group are considered to be long term to enable ecosystem growth, and are non-current assets. The Group has designated all investments in shares to be measured at FVTOCI. The dividends received in respect of these investments are disclosed in note 9.

The total amount of financial commitments to existing investees of the Group not provided for in the financial statements was \$25.0 million (2021: \$23.6 million).

Further information on the loans to associates is contained in note 35.

21 Inventories

	2022 \$ 000	2021 \$ 000
Finished goods and goods for resale	1,998	2,371

22 Contract assets

	2022 \$ 000	2021 \$ 000
Contracts	266,936	107,744
Net contract assets	266,936	107,744
Current	166,480	81,437
Non-current	100,456	26,307
	266,936	107,744

There was no movement in the loss allowance in respect of contract assets during 2022 or 2021.

A reconciliation of the movement in contract assets is set out below:

	\$ 000
Balance at 1 April 2021	107,744
Performance obligations satisfied during the period	483,691
Transfers in the period from contract assets to trade receivables	(324,499)
Balance at 31 March 2022	266,936

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

23 Trade and other receivables

	(As restated)	
	2022	2021
	\$ 000	\$ 000
Current assets		
Trade receivables	713,349	572,454
Less: Loss allowance	(39,663)	(12,275)
Net trade receivables	673,686	560,179
<i>Other receivables</i>	130,847	80,489
Prepayments	43,602	38,988
Accrued income	431,254	336,799
	<u>1,279,389</u>	<u>1,016,455</u>
Non-current assets		
Other receivables	134,287	115,810
Prepayments	12,743	10,360
	<u>147,030</u>	<u>126,170</u>
Current	1,279,389	1,016,455
Non-current	147,030	126,170
	<u>1,426,419</u>	<u>1,142,625</u>

Prior year figures have been restated, see note 1 for further details.

Accrued income relates to accrued royalties receivable in respect of sales made by third parties of products that incorporate the Group's IP.

\$63.2 million (2021: \$73.6 million) of non-current other receivables and \$6.5 million (2021: \$nil) of current other receivables relate to payments made to a single customer, which are intended to be realised against future royalty payments from the customer to Arm. Recovery of the payments is estimated to be highly probable but the assessment remains subject to future events.

Trade receivables

Trade receivables disclosed above are classified as financial assets measured at amortised cost.

Note 33 includes details on the Group's approach to mitigating credit risk in relation to trade receivables and other counterparties.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**
For the year ended 31 March 2022**23 Trade and other receivables (continued)**

Movement in the loss allowance in respect of trade receivables:

	2022	2021
	\$ 000	\$ 000
Balance at 1 April	12,275	3,224
Additional provision	27,785	12,337
Amounts written off during the year as uncollectible	(397)	(2,692)
Foreign exchange translation gains	-	75
Reclassified as asset held for distribution	-	(669)
Balance at 31 March	<u>39,663</u>	<u>12,275</u>

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Other than certain balances with Arm China (note 35), the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Ageing of impaired trade receivables:

	2022	2021
	\$ 000	\$ 000
Not yet past due	24,013	-
1-30 days	1,267	71
31-90 days	193	78
91-180 days	682	332
181-365 days	66	2,567
Over 1 year	<u>13,442</u>	<u>9,227</u>
	<u>39,663</u>	<u>12,275</u>

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Arm Limited**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2022****24 Deferred tax**

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate relevant to each tax jurisdiction.

The movement on the deferred tax balance is shown below:

	2022 \$ 000	2021 \$ 000
At 1 April	(99,373)	(200,583)
Income statement (charge)/credit	(15,167)	145,237
Charge to other comprehensive income	(34,506)	(68,106)
Transfers from current tax assets	10,707	15,756
Exchange differences	71	(659)
Reclassified as assets held for distribution	-	8,982
At 31 March	<u>(138,268)</u>	<u>(99,373)</u>

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction as permitted by IAS 12) during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

	Temporary differences relating to fixed assets \$ 000	Tax losses and R&D tax credits carried forward \$ 000	Amounts relating to Share Based Payments \$ 000	Temporary differences relating to liabilities \$ 000	Total \$ 000
Deferred tax assets					
At 1 April 2020	8,035	459	1,554	22,619	32,667
Movement from current tax assets	-	148	-	16,181	16,329
Income statement (charge)/credit	(2,097)	77,678	18,098	46,052	139,731
Exchange differences	(8)	15	-	353	360
Reclassified as assets held for distribution	-	(9,871)	-	(1,651)	(11,522)
At 31 March 2021	<u>5,930</u>	<u>68,429</u>	<u>19,652</u>	<u>83,554</u>	<u>177,565</u>
Offsetting of deferred tax liabilities					(59,835)
At 31 March 2021 (after offsetting)					<u>117,730</u>
At 1 April 2021	5,930	68,429	19,652	83,554	177,565
Movement from current tax assets	-	11,090	-	(956)	10,134
Income statement (charge)/credit	10,621	21,483	(5,733)	(16,169)	10,202
Reclassification	-	21,543	-	(21,543)	-
Exchange differences	-	-	-	(266)	(266)
At 31 March 2022	<u>16,551</u>	<u>122,545</u>	<u>13,919</u>	<u>44,620</u>	<u>197,635</u>
Offsetting of deferred tax liabilities					(69,051)
At 31 March 2022 (after offsetting)					<u>128,584</u>

The deferred tax asset to be recovered after more than one year, prior to offsetting, is \$163.1 million (2021: \$149.7 million).

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

24 Deferred tax (continued)

Deferred tax liabilities	Amounts relating to intangible assets arising on acquisition \$ 000	Amounts relating to revaluation of investments \$ 000	Other \$ 000	Total \$ 000
At 1 April 2020	29,799	3,597	199,855	233,251
Transfers from current tax assets	-	-	573	573
Income statement credit	(3,003)	-	(2,505)	(5,508)
Charge to other comprehensive income	-	68,106	-	68,106
Exchange differences	664	313	43	1,020
Reclassified as liabilities held for distribution	(20,504)	-	-	(20,504)
At 31 March 2021	<u>6,956</u>	<u>72,016</u>	<u>197,966</u>	<u>276,938</u>
Offsetting of deferred tax assets				(59,835)
At 31 March 2021 (after offsetting)				<u>217,103</u>
At 1 April 2021	6,956	72,016	197,966	276,938
Transfers from current tax assets	-	-	(573)	(573)
Income statement charge/(credit)	(1,151)	-	26,520	25,369
Charge to reserves	-	34,506	-	34,506
Exchange differences	(337)	-	-	(337)
At 31 March 2022	<u>5,468</u>	<u>106,522</u>	<u>223,913</u>	<u>335,903</u>
Offsetting of deferred tax assets				(69,051)
At 31 March 2022 (after offsetting)				<u>266,852</u>

The deferred tax liability due after more than one year prior to offsetting is \$325.5 million (2021: \$203.8 million).

Deferred tax assets have been partially recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets because it is not probable that the unrecognised portion of these assets will be recovered.

The amount of deferred tax assets unrecognised at 31 March 2022 was \$26.9 million (2021: \$34.7 million). The unrecognised deferred tax assets includes losses and California research and development tax credits. The losses and credits may remain unutilised due to restrictions imposed by local tax legislation and availability of relevant future profits.

No deferred tax has been recognised in respect of a further \$184.0 million (2021: \$156.6 million) of unremitted earnings of overseas subsidiaries because the Group is in a position to control the timing of the reversal of these differences and either it is possible that such differences will not reverse in the foreseeable future or no tax is payable on the reversal.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

25 Trade and other payables

	2022	2021
	\$ 000	\$ 000
Current liabilities		
Trade payables	85,032	30,222
Other taxation and social security	20,735	17,582
Employee related accruals	635,688	419,086
Accruals and other payables	105,068	106,168
	<u>846,523</u>	<u>573,058</u>
Non-current liabilities		
Employee related accruals	86,841	185,283
Accruals and other payables	53,611	42,530
	<u>140,452</u>	<u>227,813</u>
	<u>986,975</u>	<u>800,871</u>

26 Provisions

	2022	2021
	\$ 000	\$ 000
Dilapidations provision	11,521	13,216
Legal provision	3,000	1,000
IDR provision	2,327	4,152
Restructuring provision	25,770	-
Rates provision	11,118	-
Warranty provision	5,177	-
Severance provision	1,932	-
Other provision	3,596	1,015
	<u>64,441</u>	<u>19,383</u>
Current	49,708	4,255
Non-current	14,733	15,128
	<u>64,441</u>	<u>19,383</u>

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

26 Provisions (continued)

	Dilapidations provision \$ 000	Legal provision \$ 000	IDR provision \$ 000	Restructuring provision \$ 000	Property rates provision \$ 000
At 1 April 2021	13,216	1,000	4,152	-	-
Additional provision	-	3,000	(1,589)	25,770	-
Utilisation and reversal of provision	(1,033)	(1,000)	-	-	-
Unwinding of discount	250	-	-	-	-
Reclassification from accruals	-	-	-	-	11,118
Exchange difference	(912)	-	(236)	-	-
At 31 March 2022	<u>11,521</u>	<u>3,000</u>	<u>2,327</u>	<u>25,770</u>	<u>11,118</u>

	Warranty provision \$ 000	Severance provision \$ 000	Other provision \$ 000	Total \$ 000
At 1 April 2021	-	-	1,015	19,383
Additional provision	1,591	1,932	2,998	33,702
Utilisation and reversal of provision	-	-	-	(2,033)
Unwinding of discount	-	-	-	250
Reclassification from accruals	3,586	-	-	14,704
Exchange difference	-	-	(417)	(1,565)
At 31 March 2022	<u>5,177</u>	<u>1,932</u>	<u>3,596</u>	<u>64,441</u>

The dilapidations provision relates to costs to be incurred in returning leased assets to their original state at the end of the lease.

The legal provision relates to litigation settlements and expected litigations that have occurred during the year.

The Indemnités de Départ à la Retraite (IDR) provision relates to French retirement provisions. IAS 19 disclosures have not been made as the scheme is immaterial.

The restructuring provision relates to a restructuring programme announced and effective in March 2022.

The property rates provision, previously classified as an accrual, has been recognised as a provision due to ongoing valuation of several of the Group's leased properties.

Warranty provision relates to estimated engineering staff costs to resolve any post-sale issues raised by customers during the warranty period.

The severance provision relates to additional termination benefits payable to certain of the Group's former employees subject to conditions.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

27 Share capital**Number of shares authorised, issued and fully paid**

	2022		2021	
	No. '000	\$ '000	No. '000	\$ '000
Ordinary shares of £0.001 each	1,025,234	1,273	1,025,234	1,273

Rights, preferences and restrictions

There is a single class of ordinary shares which carry no right to fixed income. There are no restrictions on the distribution of dividends and the repayment of capital.

28 Capital and reserves**Share capital**

Called up share capital represents the nominal value of shares that have been issued.

Share premium account

The share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Share-based payments

The share-based payments reserve includes the cumulative equity-settled share-based payment expense in respect of the RSU scheme net of any associated deferred taxes. See note 30.

Capital reserve

In 2004, the premium on the shares issued by Arm Holdings plc (now known as SVF Holdco (UK) Limited) in part consideration for the acquisition of Artisan Components, Inc. was credited to reserves on consolidation in accordance with Section 131 of the Companies Act 1985. The reserve was classified as a capital reserve in Arm Holdings plc to reflect the nature of the original credit to equity arising on acquisition. Arm Limited acquired Artisan Components Inc. in 2005 under a common control business combination, which was accounted for using the pooling of interests method. The assets and liabilities of Artisan Components, Inc. were recognised in the Arm Limited Group at their values as reflected in the Arm Holdings plc Group (refer to accounting policies) and, as a result, the capital reserve arises in the Arm Limited Group.

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the parent's functional currency, being US dollar, are recognised directly in the translation reserve.

Investment revaluation reserve

The investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments designated at FVTOCI, net of cumulative gain/loss transferred to retained earnings upon disposal.

Retained earnings

Retained earnings includes all current and prior period retained profits and losses, net of dividends paid.

Arm Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 March 2022
29 Notes to the cash flow statement**Reconciliation of net cash from operating activities**

	2022	(As restated) 2021
	\$ 000	\$ 000
Profit for the year from continuing operations	596,266	70,178
Loss for the year from discontinued operations	(125,325)	(181,686)
Profit/(loss) for the year	470,941	(111,508)
Adjustments for:		
Share of gains of associates	(13,425)	(12,353)
Finance income	(5,318)	(8,013)
Reclassification of OCI on disposal of associate	(32,415)	-
Finance costs	7,923	8,922
Share-based payments	(52,753)	144,259
Loss on derivatives	11,471	7,027
Income tax expense	239,768	9,732
Depreciation of property, plant and equipment	77,846	76,669
Depreciation of right-of-use assets	38,702	45,518
Amortisation of intangible assets	101,633	124,707
Impairment of goodwill	4,783	-
Impairment of other intangible assets	41,728	-
Impairment of loans receivable	-	23,044
Impairment of associates	-	10,669
Impairment of property, plant and equipment	13,597	-
Impairment of right-of-use assets	2,079	2,947
Impairment of other receivables (reversed)/charged	(14,143)	14,260
Loss on disposal of tangible assets	1,155	2,849
Loss on disposal of intangible assets	6,267	2,008
Loss/(gain) on derecognition of right-of-use assets	215	(1,854)
Movement in provisions	32,179	(7,081)
Operating cash flows before movements in working capital	932,233	331,802
Decrease/(increase) in inventories	179	(338)
Increase in contract assets	(166,672)	(31,423)
Increase in contract and other related liabilities	80,405	881,179
(Increase)/decrease in receivables	(392,370)	33,594
Increase in payables	131,655	182,004
Cash generated by operations	585,431	1,396,818
Income taxes paid	(88,622)	(142,781)
Interest paid	(631)	(1,093)
Net cash from operating activities	496,177	1,252,944

Prior year figures have been restated, see note 1 for further details.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

29 Notes to the cash flow statement (continued)

	2022 \$ 000	2021 \$ 000
Cash and cash equivalents	<u>1,006,153</u>	<u>1,172,629</u>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. Treasury deposits relate to deposits with a maturity of between three and 12 months. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheet as shown above.

Reconciliation of movements in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. *Liabilities arising from financing activities* are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Continuing operations \$ 000	Discontinued operations \$ 000	Total \$ 000
At 31 March 2020	290,042	-	290,042
New leases and lease amendments	50,985	-	50,985
Principal payments on lease liabilities	(41,815)	-	(41,815)
Early terminations in period	(13,485)	-	(13,485)
Accrued interest	7,308	-	7,308
Reclassified to liabilities held for distribution	(11,059)	11,059	-
Foreign exchange differences	22,194	-	22,194
At 31 March 2021	<u>304,170</u>	<u>11,059</u>	<u>315,229</u>
New leases and lease amendments	7,391	63	7,454
Principal payments on lease liabilities	(45,140)	(1,229)	(46,369)
Early terminations in period	(4,345)	-	(4,345)
Accrued interest	7,555	74	7,629
Disposal of liabilities held for sale	-	(9,659)	(9,659)
Foreign exchange differences	(9,835)	(308)	(10,143)
At 31 March 2022	<u>259,796</u>	<u>-</u>	<u>259,796</u>

Arm Limited**Notes to the Consolidated Financial Statements (continued)**
For the year ended 31 March 2022**30 Share-based payments**

At 31 March 2022, the Group had the following share-based payment arrangements:

i) Restricted stock unit plan – 'All Employee Plan'

In December 2019, an equity-settled share-based payment arrangement was put in place for all employees of the Group. Employees may elect not to participate in the scheme. Each employee RSU converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the RSUs. The RSUs carry neither rights to dividends nor voting rights.

These awards are measured in accordance with IFRS 2. RSUs were priced using the Monte Carlo option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability and exercise restrictions (including the probability of meeting market conditions attached to the RSU).

Awards are forfeited if the employee leaves the Group before the RSUs vest. The calculation of the compensation cost recognised in the income statement in respect of these awards assumes forfeitures due to employee turnover of 6.2% per annum prior to vesting, with subsequent adjustments to reflect actual experience.

Termination of NVIDIA Sale and Purchase Agreement 'SPA'

Following the announcement for the termination of the NVIDIA SPA on 8 February 2022, management have estimated that as at this date, it is more likely than not that an Initial Public Offering 'IPO' event will occur and therefore the 'IPO' vesting event became more likely than the NVIDIA 'Change of Control' vesting event that had previously driven the classification of the RSU awards.

Upon a successful IPO, the Arm Group has the primary obligation to settle the RSU awards by issuance of shares in the Group. On this basis, following the termination announcement of NVIDIA SPA, and the consequent revision of the expected vesting event, management has determined that a change in classification of the RSU awards from 'cash-settled' to 'equity-settled' status is required.

Upon reclassification to equity-settled award, the cash-settled liability is reversed through profit or loss, and an expense for services provided to date for the equity-settled award is recognised using grant date fair value with a credit to equity.

During the year, the total credit to the income statement recognised within operating expenses in respect of this scheme was \$37.4 million (2021: \$127.7 million charge) including the one-off credit of \$129.6 million as a result of the change in accounting estimate noted above. At 31 March 2022, there was an equity reserve for share-based payments of \$98.6 million (2021: \$137.6 million recorded in liability and nil in equity reserves as the scheme was classified as cash-settled in 2021).

Reconciliation of number of outstanding units

Outstanding at 31 March 2021	17,921,142
Granted during the year	567,315
Forfeited during the year	(4,077,172)
Outstanding at 31 March 2022	<u>14,411,285</u>

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

30 Share-based payments (continued)**ii) Phantom share Scheme (cash-settled)**

In April 2017, a cash-settled share-based payment arrangement was put in place for certain of the Group's employees who are members of the Executive Committee. Under this arrangement the employees were granted a cash award annually on 1 April which vests over a three-year service period. The cash amount, which the employee is entitled to receive if employed at the end of the three-year period, is directly linked to the percentage change in share price of the Group's ultimate parent undertaking, SoftBank Group Corp., and is also linked to certain other Group strategic performance conditions. The Group strategic performance conditions are non-market-based vesting conditions by nature, as a result they do not affect the calculation of the fair value of the award at each reporting date.

The Group strategic performance conditions are operational in nature; they measure performance in areas such as product development, customer wins and market share across different technologies and markets. The measures are linked directly to the Group's strategic objectives, rather than any financial measures, and they are not linked to any change in the share price of the ultimate parent undertaking.

The weighted average fair value of the awards is measured at each reporting date using the Black-Scholes model. Expected volatility and dividend yield is based on the historical share price volatility and dividend yield of SoftBank Group Corp. over the past five years. The inputs used at the balance sheet date are as follows:

Grant Date	01 Apr 2021	01 Apr 2020	01 Apr 2019
SoftBank Group Corp. share price	JPY 5,559	JPY 5,559	JPY 5,559
SoftBank Group Corp. dividend yield	0.79%	0.79%	0.79%
Exercise price	\$nil	\$nil	\$nil
Expected volatility	38%	38%	38%
Vesting period	3 years	3 years	3 years
Risk-free interest rate	0.84%	0.84%	0.84%

These awards have no exercise price, however, for the purposes of the Black-Scholes model they are deemed to have an exercise price of JPY 0.001.

During the year ended 31 March 2022, the total credit to the income statement in respect of this scheme was \$9.0 million (2021: \$16.4 million charge). The value of the awards that have vested, but are unpaid, as at 31 March 2022 is \$1.4 million (2021: \$6.8 million).

Liability for share-based payments	2022 \$ 000	2021 \$ 000
All Employee Plan	1,732	137,613
Phantom Share Scheme	2,806	18,824
	<u>4,538</u>	<u>156,437</u>

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

31 Retirement benefit schemes

The Group contributes to defined contribution plans substantially covering all employees in Europe and the US and to government pension schemes for employees in Japan, South Korea, Taiwan, PR China, Israel and India. The Group contributes to these plans based upon various fixed percentages of employee compensation, and such contributions are expensed as incurred.

The total cost charged to the income statement for the year of \$77.0 million (2021: \$67.6 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 March 2022, contributions of \$9.3 million (2021: \$9.4 million) due in respect of the current reporting period had not been paid over to the schemes.

32 Contract and other related liabilities

As of 31 March 2022 total contract and other related liabilities include \$66.9 million (2021: \$7.1 million) of other related liabilities which related to non-cancellable and non-refundable payments received from customers.

	(As restated)	
	2022	2021
	\$ 000	\$ 000
Amounts related to contracts and other related liabilities	1,126,090	1,178,240
Current	333,648	424,257
Non-current	792,441	753,983
	<u>1,126,090</u>	<u>1,178,240</u>

A reconciliation of the movement in contract and other related liabilities is set out below:

	\$ 000
Balance at 1 April 2021 (as restated)	1,178,240
Cash received in advance of performance obligations	522,938
Amounts included in contract and other related liabilities that were recognised as revenue during the period:	(575,088)
Balance at 31 March 2022	<u>1,126,090</u>

Prior year figures have been restated, see note 1 for further details.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

33 Financial instruments**(a) Classification of financial instruments****Financial assets:**

	Carrying amount	
	(As restated)	
	2022	2021
	\$ 000	\$ 000
Amortised cost		
Current assets		
Cash, cash equivalents and Treasury deposits	1,636,727	1,298,205
Accounts receivable (net of loss allowance)	673,686	560,179
Contract assets	166,480	81,437
Other receivables	130,847	80,489
	<u>2,607,740</u>	<u>2,020,310</u>
Non-current assets		
Loans and receivables (note 20)	5,146	3,449
Other receivables	134,287	115,810
Contract assets	100,456	26,307
	<u>239,889</u>	<u>145,566</u>
Total assets measured at amortised cost	<u>2,847,629</u>	<u>2,165,876</u>
FVTPL (mandatorily measured)		
Current assets		
Fair value of currency exchange contracts	128	2,469
	<u>128</u>	<u>2,469</u>
Non-current assets		
Convertible loan receivable	29,002	2,922
	<u>29,002</u>	<u>2,922</u>
Total assets measured at FVTPL	<u>29,130</u>	<u>5,391</u>
FVTOCI (designated)		
Non-current assets		
Unlisted equity securities	608,756	533,292
Investments in associates	21,017	-
	<u>629,773</u>	<u>533,292</u>
Total assets measured at FVTOCI	<u>629,773</u>	<u>533,292</u>
Current financial assets	<u>2,607,868</u>	<u>2,022,779</u>
Non-current financial assets	<u>898,664</u>	<u>681,780</u>
Total financial assets	<u>3,506,532</u>	<u>2,704,559</u>

Prior year figures have been restated, see note 1 for further details.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

33 Financial instruments (continued)**(a) Classification of financial instruments (continued)****Financial liabilities:**

	Carrying amount	
	2022	2021
	\$ 000	\$ 000
Amortised cost		
Current liabilities		
Accounts payable	85,032	30,222
Accrued and other liabilities	98,348	92,047
Lease liabilities	33,515	38,076
	<u>216,895</u>	<u>160,345</u>
Non-current liabilities		
Accrued and other liabilities	53,611	36,451
Lease liabilities	226,281	266,094
	<u>279,892</u>	<u>302,545</u>
Total liabilities measured at amortised cost	<u>496,787</u>	<u>462,890</u>
FVTPL (mandatorily measured)		
Current liabilities		
Fair value of currency exchange contracts	9,541	411
	<u>9,541</u>	<u>411</u>
Total liabilities measured at FVTPL	<u>9,541</u>	<u>411</u>
Current financial liabilities	226,436	160,756
Non-current financial liabilities	279,892	302,545
Total financial liabilities	<u>506,328</u>	<u>463,301</u>

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

33 Financial instruments (continued)**(b) Valuation of financial instruments****Valuation hierarchy**

To provide an indication about the reliability of the inputs used in determining fair value the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows the below tables.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 March 2022 and 31 March 2021 on a recurring basis:

At 31 March 2022	Level 1 \$ 000	Level 2 \$ 000	Level 3 \$ 000	Total \$ 000
Financial assets				
Convertible loan	-	-	29,002	29,002
Fair value of currency exchange contracts	-	128	-	128
Financial assets at fair value through other comprehensive income (FVTOCI)				
Unlisted equity securities	-	8,442	600,314	608,756
Investments in associates	-	-	21,017	21,017
Total financial assets	-	8,570	650,333	658,903
At 31 March 2021	Level 1 \$ 000	Level 2 \$ 000	Level 3 \$ 000	Total \$ 000
Financial assets				
Convertible loan	-	-	2,922	2,922
Fair value of currency exchange contracts	-	2,469	-	2,469
Financial assets at fair value through other comprehensive income (FVTOCI)				
Unlisted equity securities	-	423,385	109,907	533,292
Total financial assets	-	425,854	112,829	538,683
At 31 March 2022	Level 1 \$ 000	Level 2 \$ 000	Level 3 \$ 000	Total \$ 000
Financial liabilities				
Fair value of currency exchange contracts	-	9,541	-	9,541
Total financial liabilities	-	9,541	-	9,541
At 31 March 2021	Level 1 \$ 000	Level 2 \$ 000	Level 3 \$ 000	Total \$ 000
Financial liabilities				
Fair value of currency exchange contracts	-	411	-	411
Total financial liabilities	-	411	-	411

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

33 Financial instruments (continued)

(b) Valuation of financial instruments (continued)

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Valuation techniques used to determine fair value

Specific valuation techniques used to value instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- for foreign currency forwards: present value of future cash flows based on the forward exchange rates at the balance sheet date;
- the fair value of investment funds is measured using the latest net asset value of the fund available as at the balance sheet date;
- unlisted equity investments: estimated fair value of the unlisted equity investments approximate to cost less any permanent diminution in value (based on management's estimate of forecast profitability and achievement of set objectives by the relevant entity), except where independent valuation information is obtained, for example through the occurrence of funding or other transactions in the relevant entity's equity instruments.

Unlisted equity securities

Unlisted investments relate to unlisted equity investments classified as non-current assets. The estimated fair value of the unlisted equity investments approximates to cost less any permanent diminution in value (based on management's estimate of forecast profitability and achievement of set objectives by the relevant entity), except where independent valuation information is obtained, for example through the occurrence of funding or other transactions in the relevant entity's equity instruments. Any change to the fair value is recognised as part of other comprehensive income.

Financial guarantee contracts

A subsidiary of Arm's ultimate parent company has entered into a facility agreement with financial institutions to borrow \$8.0 billion, providing 75.01% of Arm shares as collateral. The facility agreement includes mandatory prepayment provisions for a part of or for whole loans, which may be triggered under certain circumstances such as sales of Arm shares upon occurrence of a listing and adjusted EBITDA of Arm being lower than the threshold, and an additional cash collateral provision, which may be triggered if a fair value of Arm shares pledged as collateral decreases significantly at a designated test date.

As of 31 March 2022, the term facility loan was \$7.1 billion and the bridge facility loan \$0.9 billion. The term facility loan is to be repaid in full on maturity, which is the earlier of the date falling three months after the effective date of the listing of Arm and 24 months after the borrowing of the term facility loans. On 24 June 2022 an amendment letter expanded the total commitment to \$8.5 billion via an additional term facility of \$1.4 billion, \$0.9 billion of which was used to repay the bridge facility with the remaining \$0.5 billion representing incremental debt.

75.01% interest in the Company is pledged as collateral for the facility. A springing guarantee, naming Arm as the guarantor, becomes effective on the triggering event of material breach or misrepresentation, an IPO not occurring within 18 months of 31 March 2022 or such intention being announced. On trigger, future events of default fall to the Company. The guarantee terminates at the earlier of an IPO event or the facility being paid or discharged.

Management's estimation of the probability of the above events taking place, resulting in a cash outflow from Arm or transfer of Arm shares is remote.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

33 Financial instruments (continued)**(b) Valuation of financial instruments (continued)**

The Group is exposed to credit risk in relation to this financial guarantee. The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the guarantee is called upon. As at 31 March 2022, this amount is \$8.0 billion.

While it is possible that a key assumption in the level 3 calculation could change, there are no reasonably foreseeable changes to key assumptions that would result in a significant change in fair value.

Convertible loan receivable

On 13 October 2021, the Group converted \$3.0 million convertible loan balance into equity of PragmatlC Semiconductor Limited. On 8 December 2021, the Group acquired \$29.0 million convertible promissory note in Ampere Computing Holdings LLC.

At 31 March 2022, the Group had convertible loans with a carrying value of \$29.0 million (31 March 2021: \$2.9 million).

Fair value measurements using significant unobservable inputs (level 3)

	Convertible loan receivable \$ 000	Investments in associates \$ 000	Unlisted equity securities \$ 000	Total \$ 000
At 1 April 2021	2,922	-	109,907	112,829
Additions	29,002	-	6,186	35,188
Reclassified from investments in associates	-	6,444	-	6,444
Revaluation gains recognised in income statement	110	-	-	110
Revaluation gains recognised in other comprehensive income	-	14,574	66,185	80,759
Return on capital	-	-	(300)	(300)
Converted into equity	(2,957)	-	2,957	-
Disposal	-	-	(777)	(777)
Transfer from level 2	-	-	416,155	416,155
Exchange differences	(75)	-	-	(75)
At 31 March 2022	29,002	21,018	600,313	650,334

During the year ended 31 March 2022 an unlisted equity security was transferred from level 2 to level 3, as one of the significant inputs for the fair value of this investment is no longer based on observable market data.

(c) Maturity of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than six months \$ 000	Between six months and one year \$ 000	Between one and two years \$ 000	Over two years \$ 000
At 31 March 2022				
Trade payables	85,032	-	-	-
Accrued and other liabilities	27,737	20,395	32,674	18,915
Lease liabilities	21,306	18,554	29,915	246,607

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

33 Financial instruments (continued)**(c) Maturity of financial liabilities (continued)**

	Less than six months \$ 000	Between six months and one year \$ 000	Between one and two years \$ 000	Over two years \$ 000
At 31 March 2021				
Trade payables	30,222	-	-	-
Accrued and other liabilities	22,288	18,973	25,509	12,000
Lease liabilities	22,937	22,937	39,332	288,493

Loans and receivables

At 31 March 2022, the Group had loans receivable from associates with a carrying value of \$3.0 million (2021: \$nil). See note 35 for further details. At 31 March 2022, the Group had loans receivable from other parties with a carrying value of \$5.1 million (2021: \$3.4 million).

The Group had no borrowings during the year ended 31 March 2022 (2021: \$nil).

The effective interest rate on short-term deposits and similar instruments outstanding at 31 March 2022 was 0.61% (2021: 0.30%) and these deposits have an average maturity of 118 days (2021: 100 days).

Derivative financial instruments

This table analyses the Group's derivative financial instruments into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Amounts due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than three months \$ 000	Between three months and six months \$ 000	Between six months and one year \$ 000	Over one year \$ 000
At 31 March 2022				
Currency exchange contracts measured at FVTPL				
Outflow	(6,660)	(2,222)	(659)	-
Inflow	102	4	22	-
At 31 March 2021				
Currency exchange contracts measured at FVTPL				
Outflow	(280)	(130)	-	-
Inflow	2,199	203	67	-

The net loss on foreign currency forwards not qualifying as hedges for the year amounted to \$11.4 million (2021: \$8.0 million gain), of which \$2.1 million (2021: \$6.0 million gain) was fully realised.

(d) Risk management of financial instruments

The Group is exposed to financial risks, including those relating to the fluctuation in foreign exchange and interest rates, the risk of counterparty credit default, and being unable to meet liabilities as they fall due.

Financial risk management is carried out under policies approved and delegated by the Board of Directors.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

33 Financial instruments (continued)**(d) Risk management of financial instruments (continued)****Foreign exchange risk**

The Group is exposed to foreign exchange risk in the following ways:

- transactional exposure that arises on revenues and expenses where these are denominated in a currency other than the functional currency of the transacting entity. The Group mitigates a proportion of this risk through the use of currency forward contracts;
- translational exposure arising on the revaluation of net investments in the consolidated Group accounts, where these are not denominated in US dollar; and
- loans to subsidiaries in currencies other than the Group's functional currency.

The impact of 10% depreciation of USD against GBP is as follows:

	Income loss \$ 000	2022 Equity gain/(loss) \$ 000	Income loss \$ 000	2021 Equity gain/(loss) \$ 000
10% depreciation of GBP against USD (2021: 10%)	(12,163)	-	(21,955)	-

The movements stated reflects the impact to profit or to other comprehensive income after tax.

The 10% depreciation rate used in the sensitivity analysis represents management's best estimate of the volatility in future interest rates. Management do not expect GBP to depreciate against USD by more than 10% in light of the current macroeconomic conditions.

Interest rate risk

The Group is exposed to interest rate risk arising on interest-bearing assets that it holds, including cash and cash equivalents, treasury deposits, and similar instruments and loan receivables.

The impact of 1% decrease in interest rates is as follows:

	Income gain/(loss) \$ 000	2022 Equity gain/(loss) \$ 000	Income gain/(loss) \$ 000	2021 Equity gain/(loss) \$ 000
1% decrease in interest rates (2021: 1%)	(12,325)	-	(10,034)	-

The movements stated reflects the impact to profit or to other comprehensive income after tax.

The range of interest rates used in the sensitivity analysis represents management's best estimate of the volatility in future interest rates. Management do not expect interest rates to increase or decrease by more than 1% in the foreseeable future in light of the current macroeconomic conditions.

Credit risk

The Group is exposed to credit risk arising from cash and cash equivalents, treasury deposits, derivative financial instruments and trade and other receivables. The Group's maximum exposure to credit risk is limited to the carrying amount of these assets.

Arm Limited**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 March 2022

33 Financial instruments (continued)**(d) Risk management of financial instruments (continued)****Credit risk (continued)**

For financial assets (other than trade and other receivables), the Group holds positions with an approved list of investment grade rated counterparties and monitors the exposures and counterparty credit risk on a regular basis.

For trade and other receivables, the credit risk is managed through the use of mitigating controls including the use of credit checks on customers.

Expected credit losses

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss (ECL) allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due. Expected loss rates are intended to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables. The Group has determined that market borrowing rates (across a range of jurisdictions in which the Group's customers operate) and a risk multiplier linked to debt ageing are the most relevant variables in determining ECL rates.

Management's assessment of determining ECL rates is dependent on jurisdiction, and the relevant expected loss rates are as follows:

Ageing (days)	Expected loss rate	Expected loss rate
	China	Rest of World
0-30	0.01%	0.86%
31-60	0.00%	0.24%
61-90	0.25%	0.04%
91-180	0.15%	2.35%
181-365	0.00%	1.01%
> 365	10.72%	88.25%

Certain trade receivables balances have been assigned a nil% loss rate regardless of ageing. This is based on specific factors affecting the trading relationship that indicate that the Group's credit risk is negligible.

The Group's overall expected credit loss in respect of trade receivables at 31 March 2022 was \$39.7 million (2021: \$12.3 million).

The Group has reviewed other balances which are also subject to impairment requirements of IFRS 9, including contract assets and cash and cash equivalents, and there was no identified impairment loss at 31 March 2022 (2021: \$nil).

At 31 March 2022, one customer (2021: one customer) accounted for over 10% of trade receivables.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group finances its liquidity position through a combination of retained profits, and holding of cash and cash equivalents.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

34 Events after the balance sheet date

Group and Company

On 29 April 2022, the Group, HOPU Investment and SoftBank Group, acting in their capacity as direct and indirect shareholders holding majority equity interest in Arm China, announced that the Company's longstanding corporate governance issue has been resolved following a unanimous vote by the Arm China board of directors.

The Company terminated a customer's contract effective 1 March 2022 on account of a contractual breach, resulting in the remaining amounts per the contract to be billed. Due to lack of payment and uncertainty around the customer's willingness to pay, a provision was recorded against all contract assets outstanding at the time of contract termination. During the fiscal quarter ending 31 December 2022, the Company received a partial payment of \$21.9m from the customer in respect of the terminated agreements. No adjustment has been made in the financial statements for the year ending 31 March 2022 as the subsequent payment represents new information not available at 31 March 2022.

As of 31 December 2022, the fair value of the Group's investments in equity instruments designated as FVTOCI had declined \$58.1m since 31 March 2022. These subsequent changes to fair value arising from investment-specific events, volatility in equity markets or foreign exchange are not reflected in the financial statements as at 31 March 2022.

Arm Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2022

35 Related party transactions

The Company has taken advantage of the available exemption from disclosing transactions with other companies within the Group that are wholly owned. Related party transactions and balances with companies related by virtue of common control in the Group headed by the ultimate parent company, SoftBank Group Corp. or by virtue of the Group's significant influence over that company, are as follows:

Transactions with associates and SoftBank Group companies

Arm Technology (China) Co. Limited

The Group disposed of its 48.18% shareholding in Arm Technology (China) Co. Limited ('Arm China') to Acetone Limited, another subsidiary of SoftBank Group Corp., on 28 March 2022. The Group's 10% equity investment in Acetone as at 31 March 2022 has been reflected as an associate in the Group's financial statements, see notes 4 and 19.

Subsequent to the disposal of the Group's controlling interest in Arm China in 2018, a substantial proportion of customer contracts previously held by the former China subsidiary were novated to Arm China; under such contracts the Group is entitled to a share of revenue earned by Arm China. Where contracts were not novated from the former China subsidiary to Arm China, the Group had an obligation to share a proportion of the revenue with Arm China.

Under the terms of the joint venture agreement Arm has recognised share of revenues amounting to \$455.3 million during the year ended 31 March 2022 (2021: \$413.1 million). During the year ended 31 March 2022, the Group incurred costs of \$58.6 million from Arm China (2021: \$53.1 million).

At 31 March 2022, the Group was owed a net receivable of \$568.3 million (\$596.2 million receivable less \$27.9 million payable) compared to 2021 net receivable of \$423.7 million (comprising of \$441.0 million receivable less \$17.3 million payable), and had a \$122.4m contract liability balance (2021: \$118.5m contract liability balance). Prior year balances have been restated (note 1).

Of the balance due from Arm China at 31 March 2022 \$13.7 million (2021: \$24.2 million) had been provided for. During the year ended 31 March 2022 there was a net credit to the income statement of \$10.4 million (2021: \$24.2 million charge).

During the year ended 31 March 2022, the Group leased assets to Arm China. The Group recognised revenue of \$1.6 million from the leased assets (2021: \$1.0 million). Refer to note 19 for discussion of the impact of Arm China on the Group's results, and the distribution of the Group's shareholding to the owners of the Group.

Companies related by virtue of common control in the SoftBank Group

During the year ended 31 March 2022, the Group had transactions with other companies within the SoftBank Group that generated revenues of \$6.0 million (2021: \$9.0 million) and expenses of \$2.0 million (2021: \$5.7 million). As at 31 March 2022, \$14.1 million (2021: \$1.3 million) was owed to the Group by members of the SoftBank Group and \$nil (2021: \$0.5 million) was owed by the Group to members of the SoftBank Group.

Prior to the disposal of Treasure Data on 25 June 2021 (see note 12), a loan of \$50.0 million was issued by SoftBank Vision Fund II, a member of the SoftBank Group to Treasure Data, Inc. Interest on this loan balance was charged at 2.84% per annum. The loan balance, including accrued interest, was included in the distribution.

Arm Limited**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2022****35 Related party transactions (continued)*****Companies related by virtue of common control in the SoftBank Group (continued)***

During the year ended 31 March 2022, the Group entered into a financial guarantee contract with another company within the SoftBank Group. Refer to note 33 for further details.

Linaro Limited

During the year ended 31 March 2022, the Group incurred subscription and other costs of \$7.9 million from Linaro Limited ('Linaro'), an associated company of the Group (2021: \$8.4 million). As at 31 March 2022, \$nil (2021: \$nil) was owed to Linaro.

In the prior year, the Group provided consulting and other services to Linaro during the year amounting to \$1.3 million. All fees were charged in accordance with the terms of the agreement. No consulting or other services have been provided to Linaro during the year ended 31 March 2022. As at 31 March 2022, \$nil (2021: \$nil) was owed to the Group.

Loans to related parties

	2022	2021
	\$ 000	\$ 000
Loans to associates:		
Cerfe Labs, Inc.	3,029	-

During the year ended 31 March 2022, the Group provided a 4-year loan of \$3.0 million to Cerfe Labs, Inc., an associate entity, at a rate comparable to the average commercial rate of interest.

The Group has a loan receivable with Arduino SA, an associate entity, of \$23.7 million which is credit impaired in full as at 31 March 2022. After the reporting date the Group converted \$5.1 million, through an amendment signed in April 2022, into equity and recognised \$5.1 million reversal of impairment loss and \$5.1 million increase to investments in associates.

Remuneration of key management personnel

The aggregate remuneration of the key management personnel of the Group (including the directors), is set out below:

	2022	2021
	\$ 000	\$ 000
Short-term employee benefits	31,368	15,980
Post-employment benefits	15	5
Other long-term benefits	(11,682)	21,572
Termination benefits	16,666	-
Employer social security	760	2,211
Share-based payments	(8,479)	22,459
	<u>28,648</u>	<u>62,227</u>

Arm Limited**Notes to the Consolidated Financial Statements (continued)**
For the year ended 31 March 2022**35 Related party transactions (continued)**

The total amounts for directors' remuneration were as follows:

	2022 \$ 000	2021 \$ 000
Salaries, fees, bonuses and benefits in kind	13,657	6,080
Amounts receivable under long-term incentive schemes	5,100	10,129
Termination benefits	10,010	-
	<u>28,767</u>	<u>16,209</u>

In respect of the highest paid director:

	2022 \$ 000	2021 \$ 000
Salaries, fees, bonuses and benefits in kind	1,322	4,430
Amounts receivable under long-term incentive schemes	3,640	7,962
Termination benefits	10,010	-
	<u>14,972</u>	<u>12,392</u>

One director (2021: one) had accrued benefits during the year ended 31 March 2022 under a money purchase pension scheme as a result of their services to the Group.

Included above in the amounts receivable under long-term incentive schemes are amounts recognised in the year attributable to directors under cash-settled and equity-settled share-based payments arrangements (refer to note 30 for further details).

During the year ended 31 March 2022, two of the directors (2021: three) had share awards vest worth \$1.8m (2021: \$1.1m).

36 Parent and ultimate parent undertaking

The Company's immediate parent undertaking since November 2022 is Kronos I (Uk) Limited, a company registered in England and Wales. During the year ended 31 March 2022 the Company's immediate parent undertaking was SoftBank Group Capital Limited. In September 2022, it changed to Kronos Holdco (Uk) Limited. The Company's ultimate parent undertaking and controlling party is considered to be SoftBank Group Corp., a company registered in Japan.

SoftBank Group Corp. heads the largest group of undertakings, including Arm Limited, for which consolidated financial statements are prepared. Arm Limited prepares the smallest group of undertakings for which consolidated financial statements are prepared. Copies of the ultimate parent's consolidated financial statements are available from 1-9-1 Higashi-shimbashi, Minato-ku, Tokyo 105-7303, Japan.

Arm Limited

Company Balance Sheet (Registered Number: 02557590)

As at 31 March 2022

			(As restated) ¹	(As restated) ¹
		2022	2021	2020
	Note	\$ 000	\$ 000	\$ 000
Non-current assets				
Intangible assets	38	252,049	261,237	251,063
Property, plant and equipment	39	106,534	130,881	117,006
Right-of-use assets	40	167,861	187,284	170,381
Investments in subsidiaries	41	230,586	911,632	792,845
Investments in associates	42	27,268	37,448	44,888
Other investments	43	43,652	31,418	38,586
Trade and other receivables	46	115,610	120,183	76,096
Contract assets	45	100,456	26,307	6,557
Embedded derivatives (asset)		-	-	7,769
Deferred tax assets	47	64,212	56,207	20,126
		<u>1,108,228</u>	<u>1,762,597</u>	<u>1,525,317</u>
Current assets				
Inventories	44	1,878	2,031	1,820
Contract assets	45	166,480	81,178	70,601
Trade and other receivables	46	1,443,070	1,239,053	1,215,722
Current tax assets		-	4,807	12,334
Treasury Deposits		630,000	125,000	-
Cash and cash equivalents		895,353	1,047,601	985,680
Fair value of currency exchange contracts	33	128	2,469	-
Embedded derivatives (asset)		-	-	7,269
		<u>3,136,909</u>	<u>2,502,139</u>	<u>2,293,426</u>
Total assets		<u>4,245,137</u>	<u>4,264,736</u>	<u>3,818,743</u>
Current liabilities				
Trade and other payables	48	884,041	561,468	423,454
Lease liabilities	40	12,662	14,984	11,358
Contract liabilities	49	333,472	372,886	131,356
Provisions	50	35,999	4,418	8,568
Fair value of currency exchange contracts	33	9,541	411	5,953
Current tax liability		122,234	-	-
		<u>1,397,950</u>	<u>954,167</u>	<u>580,689</u>
Net current assets		<u>1,738,959</u>	<u>1,547,972</u>	<u>1,712,737</u>
Non-current liabilities				
Deferred tax liabilities	47	229,908	196,084	200,169
Trade and other payables	48	95,181	113,861	68,763
Lease liabilities	40	172,409	194,738	158,921
Contract liabilities	49	792,441	778,919	100,025
Provisions	50	10,890	10,219	11,510
Liability for share-based payments	30	461	144,815	2,538
		<u>1,301,290</u>	<u>1,438,636</u>	<u>541,926</u>
Total liabilities		<u>2,699,240</u>	<u>2,392,803</u>	<u>1,122,615</u>
Net assets		<u>1,545,897</u>	<u>1,871,933</u>	<u>2,696,128</u>

Arm Limited

Company Balance Sheet (Registered Number: 02557590)

As at 31 March 2022

			(As restated) ¹	(As restated) ¹
		2022	2021	2020
	Note	\$ 000	\$ 000	\$ 000
Equity				
Share capital	27, 28	1,273	1,273	1,273
Share premium account	28	583,279	583,279	583,279
Share-based payments	28, 30	98,620	-	9,199
Other reserves	51	47,160	47,160	47,160
Investment revaluation reserve	28	34,447	13,359	838
Retained earnings	28	781,118	1,226,862	2,054,379
Total equity		1,545,897	1,871,933	2,696,128

The Company reported a loss for the financial year ended 31 March 2022 of \$437.3 million (2021: \$77.5 million).

The financial statements were authorised for issue by the Board of Directors on 30/03/2023 and were signed on its behalf by:

DocuSigned by:

 F1F09375F1BE489

R Haas
 Chief Executive Officer

¹ Prior year figures have been restated. See note 1 for further details.

Arm Limited**Company Statement of Changes in Equity
For the Year Ended 31 March 2022**

	Share capital \$ 000	Share premium account \$ 000	Share- based payments \$ 000	Other reserves \$ 000	Investment revaluation reserve \$ 000	Retained earnings \$ 000	Total equity \$ 000
Balance at 1 April 2020 (as restated)	1,273	583,279	9,199	47,160	838	2,054,379	2,696,128
Loss for the year (restated - see note 1)	-	-	-	-	-	(77,517)	(77,517)
Other comprehensive income/(expense) for the year:							
Investment revaluation	-	-	-	-	14,797	-	14,797
Deferred tax on investment revaluation	-	-	-	-	(2,276)	-	(2,276)
Total comprehensive income/(expense) for the year	-	-	-	-	12,521	(77,517)	(64,996)
Cash dividend	-	-	-	-	-	(750,000)	(750,000)
Share-based compensation expense	-	-	(9,199)	-	-	-	(9,199)
Balance at 31 March 2021 (as restated)	1,273	583,279	-	47,160	13,359	1,226,862	1,871,933
Balance at 1 April 2021 (as restated)	1,273	583,279	-	47,160	13,359	1,226,862	1,871,933
Loss for the year	-	-	-	-	-	(437,285)	(437,285)
Other comprehensive income/(expense) for the year:							
Investment revaluation	-	-	-	-	24,418	-	24,418
Deferred tax on investment revaluation	-	-	-	-	(3,330)	-	(3,330)
Dividend income	-	-	-	-	-	712,336	712,336
Total comprehensive income/(expense) for the year	-	-	-	-	21,088	275,051	296,139
Distributions in specie	-	-	-	-	-	(720,795)	(720,795)
Share-based compensation expense	-	-	98,620	-	-	-	98,620
Balance at 31 March 2022	1,273	583,279	98,620	47,160	34,447	781,118	1,545,897

¹ Prior year figures have been restated. See note 1 for further details.

Arm Limited**Notes to the Company Financial Statements**
For the Year Ended 31 March 2022**37 Loss for the year**

As permitted by s408 of the Companies Act 2006, no separate income statement or statement of comprehensive income is presented in respect of the parent company. The profit/loss attributable to the Company is disclosed in a footnote to the Company's balance sheet.

The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

The directors' remuneration is disclosed in note 35 to the consolidated financial statements.

The average monthly number of employees (including executive directors) was:

	2022	2021
	No.	No.
Research and development	2,166	1,865
Sales and marketing	234	250
General and administrative	736	766
Total	3,136	2,881

Their aggregate remuneration comprised:

	2022	2021
	\$ 000	\$ 000
Wages and salaries	493,072	343,683
Social security costs	69,967	54,346
Pension costs	50,935	38,159
	613,974	436,188
Share-based payments:		
Equity-settled	98,620	-
Cash-settled	(120,613)	71,681
	(21,993)	71,681
Total	591,981	507,869

Of the total pension costs above, \$4.5 million remained unpaid at 31 March 2022 (2021: \$3.9 million).

Arm Limited**Notes to the Company Financial Statements (continued)****For the Year Ended 31 March 2022****38 Intangible assets**

	Goodwill	Patents and licences	Acquired intangibles	Computer software	Intangible assets under construction	Total
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Cost						
At 1 April 2021	57,293	170,653	79,180	245,202	19,713	572,041
Additions	-	7,500	-	66,218	21,424	95,142
Disposals	-	-	-	(71,817)	(77)	(71,894)
Transfers	-	-	-	11,035	(11,140)	(105)
At 31 March 2022	<u>57,293</u>	<u>178,153</u>	<u>79,180</u>	<u>250,638</u>	<u>29,920</u>	<u>595,184</u>
Amortisation and impairment						
At 1 April 2021	-	143,572	69,163	98,070	-	310,805
Charge for the year	-	13,448	9,452	77,160	-	100,060
Disposals	-	-	-	(67,663)	-	(67,663)
Transfers	-	-	-	(67)	-	(67)
At 31 March 2022	<u>-</u>	<u>157,020</u>	<u>78,615</u>	<u>107,500</u>	<u>-</u>	<u>343,135</u>
Carrying amount						
At 31 March 2022	<u>57,293</u>	<u>21,133</u>	<u>565</u>	<u>143,138</u>	<u>29,920</u>	<u>252,049</u>
At 31 March 2021	<u>57,293</u>	<u>27,081</u>	<u>10,017</u>	<u>147,132</u>	<u>19,713</u>	<u>261,236</u>

Arm Limited**Notes to the Company Financial Statements (continued)****For the Year Ended 31 March 2022****39 Property, plant and equipment**

	Leasehold improve- ments \$ 000	Computer equipment \$ 000	Fixtures, fittings and motor vehicles \$ 000	Assets under construction \$ 000	Total \$ 000
Cost					
At 1 April 2021	90,827	123,053	18,446	2,805	235,131
Additions	196	15,622	366	3,505	19,689
Transfers	6,095	2,380	(2,138)	(6,232)	105
Disposals	(9,081)	(35,173)	(5,049)	(36)	(49,338)
At 31 March 2022	88,036	105,882	11,625	42	205,587
Depreciation					
At 1 April 2021	24,144	69,738	10,368	-	104,250
Charge for the year	12,223	24,926	2,438	-	39,587
Transfers	-	766	(699)	-	67
Disposals	(5,891)	(34,162)	(4,799)	-	(44,852)
At 31 March 2022	30,476	61,268	7,308	-	99,052
Carrying amount					
At 31 March 2022	57,560	44,614	4,318	42	106,534
At 31 March 2021	66,683	53,315	8,078	2,805	130,881

During the year, the Company transferred assets under construction classified as Intangible assets with a net book value of \$0.1 million to property, plant and equipment to better reflect the nature of the underlying assets.

40 Leases**(a) Right-of-use assets**

The carrying amount of the Company's right-of-use assets are set out below:

	Property \$ 000	IT equipment \$ 000	Total \$ 000
At 1 April 2021	171,655	15,629	187,284
Additions ^a	755	679	1,433
Depreciation charge for the year	(13,210)	(3,725)	(16,936)
Other movements ^b	(3,920)	-	(3,920)
At 31 March 2022	155,280	12,583	167,861

^aAdditions comprise increases to right-of-use assets as a result of entering into new lease and upwards remeasurement of existing leases arising from lease extensions or reassessments and increases to lease payments.

^bOther movements relate to terminated leases and downwards remeasurements of right-of-use assets arising from reduction or reassessments of lease terms and decreases in lease payments. Other movements in the period include an impairment charge of \$2.1 million.

These right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease agreement. As at the date of these financial statements, the remaining terms range from six months to 22 years.

Arm Limited**Notes to the Company Financial Statements (continued)**
For the Year Ended 31 March 2022**40 Leases (continued)****(b) Lease liabilities**

The carrying amount of lease liabilities at 31 March 2022 are set out below:

	Property \$ 000	IT equipment \$ 000	Total \$ 000
Current	8,795	3,867	12,662
Non-current	162,794	9,615	172,409
	<u>171,589</u>	<u>13,482</u>	<u>185,071</u>

It is expected that as a lease matures it will either be extended or replaced by a new lease on similar terms.

The maturity of the gross contractual undiscounted cash flows due on the Company's lease liabilities is set out below based on the period between 31 March 2022 and the contractual maturity date.

	Within 1 year \$ 000	Between 1 and 5 years \$ 000	Over 5 years \$ 000	Total \$ 000
Property	13,212	43,555	165,838	222,605
IT equipment	4,087	9,882	-	13,969
	<u>17,299</u>	<u>53,437</u>	<u>165,838</u>	<u>236,574</u>

(c) Impact on the Income Statement

	2022 \$ 000	2021 \$ 000
Depreciation charge of right-of-use assets		
Property	13,210	12,654
IT equipment	3,726	2,942
	<u>16,936</u>	<u>15,596</u>
Interest expense	5,123	4,055
Expense relating to short-term and low-value leases	<u>430</u>	<u>1,899</u>

Arm Limited**Notes to the Company Financial Statements (continued)**
For the Year Ended 31 March 2022**41 Investments in subsidiaries**

	\$ 000
Cost	
At 1 April 2021	1,287,121
Additions	911,659
Disposals	(708,128)
Share-based payments transaction (see note 30)	(6,926)
At 31 March 2022	<u>1,483,726</u>
Provision for impairment	
At 1 April 2021	375,489
Impairment loss	877,651
At 31 March 2022	<u>1,253,140</u>
Net book value	
At 31 March 2022	<u>230,586</u>
At 31 March 2021	<u>911,632</u>

Additions in the year relate to a distribution received from Arm Holdings US, Inc. of \$696.0 million, capital contributions made to Arm Holdings US, Inc. of \$154.0 million and other subsidiaries of \$61.0 million (2021: \$96.5 million).

Disposals relate to Arm Limited distributing \$696.0 million through a dividend in specie (refer to note 19), and \$12.0 million related to Arm Cloud Services Limited after sale of the subsidiary (refer to note 12).

The share-based payments transactions relate to the RSU employee share scheme, which grants RSUs to employees of the Company's subsidiaries over the Company's shares for services rendered in the subsidiaries (see note 30). The share-based payment transactions of \$6.9 million represent a return of capital from subsidiaries to Arm which arises when a decrease in services rendered to the subsidiaries takes place.

Impairment losses for the year primarily relate to \$792.2 million in Arm Holdings US, Inc., and \$54.0 million in Arm Cloud Services Limited following a fair value measurement.

Details of the Company's subsidiaries at 31 March 2022 are shown below. All investments are directly held, 100% ownership of a single class of ordinary shares unless otherwise shown.

Name	Address of the registered office	Principal activity	Proportion of shares held
Advanced RISC Machines Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Dormant	100%
Allinea Software GmbH *	c/o Grant Thornton GmbH, Ganghoferstrasse 31, 80339, München, Germany	Software development	100%
Allinea Software Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Dormant	100%
Allinea Software, Inc. *	2033 Gateway Place, Suite 500, San Jose, CA 95110-3712, US	Software sales	100%
Apical Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Engineering and sales support	100%
Arm Asia Investment G.P. Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Investment company	100%

Arm Limited**Notes to the Company Financial Statements (continued)****For the Year Ended 31 March 2022****41 Investments in subsidiaries (continued)**

Name	Address of the registered office	Principal activity	Proportion of shares held
Arm Belgium Services BVBA	Mechelsesteenweg 277, 1800 Vilvoorde, Belgium	Administration	100%
Arm Canada, Inc	c/o Baker McKenzie LLP, 181 Bay Street, Toronto, ON M5J 2T3	Administration	100%
Arm Denmark Aps	Ragnagade 7, 2100 Copenhagen Denmark	Development of IoT technology	100%
Arm Embedded Technologies Private Limited	Bagmane WTC-SEZ, Citrine Block, 4th Floor, Marathahalli Outer Ring Road, Mahadevapura, Bangalore, 560048, India	Marketing, research and development of RISC-based microprocessors and physical IP	100%
Arm Finance Overseas Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Investment company	100%
Arm France SAS	25 Allee Pierre Ziller, 06560, Valbonne, France	Marketing, research and development of RISC-based microprocessors and physical IP	100%
Arm Germany GmbH	Bretonischer Ring 16, D-85630 Grasbrunn, Germany	Marketing of RISC-based microprocessor IP. Marketing and research and development of microcontroller tools	100%
Arm Germany d.o.o. *	Obrtna Cesta 18, SL-8310, Sentjernej, Slovenia	Marketing of RISC-based microprocessor IP. Marketing and research and development of microcontroller tools	100%

Arm Limited**Notes to the Company Financial Statements (continued)**
For the Year Ended 31 March 2022**41 Investments in subsidiaries (continued)**

Name	Address of the registered office	Principal activity	Proportion of shares held
Arm Holdings Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Dormant	100%
Arm Holdings US, Inc.	150 Rose Orchard Way, San Jose, CA 95134-1358, US	Holding company	100%
Arm Hungary KFT	H-1082 Budapest, Futo u.45, Hungary	Development of system IP	100%
Arm IP Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Investment company	100%
Arm, Inc. *	150 Rose Orchard Way, San Jose, CA 95134-1358, US	Marketing, research and development of RISC-based microprocessors and physical IP	100%
Arm Ireland Limited	2nd Floor Lyrr Building, Mervue Industrial Estate, Galway, Ireland	Development of system IP	100%
Arm KK	Shinyokohama Square Bldg. 17F, 2-3-12 Shin-Yokohama, Kohoku-Ku, Yokohama-Shi, Kanagawa 222-0033, Japan	Marketing of RISC-based microprocessor IP	100%
Arm Korea Limited	7th Floor Kyungdong Building, 4-4 Sunae-dong, Bundang-gu, Seongnam-si, Gyeonggi-do 463-020, South Korea	Marketing of RISC-based microprocessor IP	100%
Arm Norway AS	Olav Tryggvassons gt. 39-41, 7011 Trondheim, Norway	Research and development of graphics IP	100%
Arm PIPD Holdings One, LLC *	150 Rose Orchard Way, San Jose, CA 95134-1358, US	Holding company	100%
Arm PIPD Holdings Two, LLC *	150 Rose Orchard Way, San Jose, CA 95134-1358, US	Holding company	100%
Arm Poland Sp. z o.o	ul. Sobieskiego 11, 40-082 Katowice, Poland	Research and development of RISC-based microprocessors IP	100%
Arm Sweden AB	Emdalavägen 6, SE-223 69 Lund, Sweden	Research and development of graphics IP	100%

Arm Limited**Notes to the Company Financial Statements (continued)**
For the Year Ended 31 March 2022**41 Investments in subsidiaries (continued)**

Name	Address of the registered office	Principal activity	Proportion of shares held
Arm Sansa Holdings, Inc. *	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE19801, US	Dormant	100%
Arm Taiwan Limited *	8F, No. 36, Ruihu Street, Nei-Hu District, Taipei City 11494, Taiwan (R.O.C)	Marketing, research and development of RISC-based microprocessors and physical IP	100%
Arm Technologies Israel Limited *	Grand Netter Industrial Zone, BeitIntergma Ha Alon St, Kfar, Netter 40593, Israel	Development of system IP	100%
Arm Technology Investments Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Investment company	100%
Arm Technology Investments 2 Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Investment company	100%
Arm Technology Investments, Inc.	150 Rose Orchard Way, San Jose, CA 95134-1358, US	Investment company	100%
Arm UK Holdings Limited *	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Holding company	100%
ChaoLogix, Inc. *	One Independent Drive, Suite 3120, Jacksonville, FL 32202, US	Dormant	100%
ChaoLogix USA, LLC *	One Independent Drive, Suite 3120, Jacksonville, FL 32202, US	Dormant	100%
Keil Software, Inc. *	150 Rose Orchard Way, San Jose, CA 95134-1358, US	Dormant	100%
Mistbase AB *	Trollebergsvagen 79, 22731 Lund, Sweden	Dormant	100%
Rack Services (Shanghai) Commercial & Trading Co., Ltd	10-11 F, Two IFC, 8 Century Avenue China (Shanghai) Pilot Free Trade Zone Shanghai, 200120, China	Provision of IT Equipment to Arm China	100%

Arm Limited**Notes to the Company Financial Statements (continued)**
For the Year Ended 31 March 2022**41 Investments in subsidiaries (continued)**

Name	Address of the registered office	Principal activity	Proportion of shares held
Simulity Labs Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Dormant	100%
Sunrise Micro Devices, Inc. *	150 Rose Orchard Way, San Jose, CA 95134-1358, US	Dormant	100%
UK1937 Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Dormant	100%
WigWag, Inc. *	4009 Bannister Lane, Suite 200 Austin, TX 78704, US	Dormant	100%
WigWag Networks India Private Limited *	18, First Floor, New Market Jeoni Mandi, Aqra - 282004 UP, India	Dormant	100%

* Investment owned indirectly by the Company.

During the year, the Company set up and incorporated two wholly owned new entities.

Name	Country
UK1937 Limited	UK
Arm Technology Investments, Inc.	US

Arm Limited**Notes to the Company Financial Statements (continued)**
For the Year Ended 31 March 2022**42 Investments in associates**

	\$ 000
Cost	
At 1 April 2021	37,448
Additions	2,750
Fair valuation gain on associate held at fair value	14,574
Disposal	(27,504)
At 31 March 2022	<u>27,268</u>

For further details of the disposal in the year see note 19.

Details of the Company's associates at 31 March 2022 are as follows:

Name	Place of business and registered office address	Principal activity	Holding	Proportion of ownership interest %	Proportion of voting power held %
Acetone Limited	PO Box 500, Grand Cayman, KY1-1106, Cayman Islands	Holding Company	Ordinary shares *	10.0	10.0
Arduino SA	Corso San Gottardo 6A, 6830 Chiasso, Switzerland	Computer programming activities	Preferred Shares **	15.7	15.7
Cerfe Labs, Inc.	9401 Honeycomb Drive, Austin, Texas, 78737-1132, United States	Development of CeRAM memory technology	Ordinary shares	20.0	20.0
Linaro Limited	Harston Mill, Harston, Cambridge, CB22 7GG	Software engineering collaboration for Arm Ecosystem	None ***	25.0	25.0

* The Company is considered to have significant influence over Acetone Limited.

** The Company is considered to have significant influence over Arduino SA by way of a material loan to the company and by influence over the entity's board of directors. The investment in Arduino SA is held at fair value.

*** The Company is one of four Core Members of Linaro Limited; the Core Members jointly control the business.

Arm Limited**Notes to the Company Financial Statements (continued)****For the Year Ended 31 March 2022****43 Other investments**

	2022	2021
	\$ 000	\$ 000
Investments in equity instruments designated as FVTOCI		
Unlisted shares	37,339	27,968
	<u>37,339</u>	<u>27,968</u>
Loans receivable carried at amortised cost		
Loans to associates	3,028	-
Loans to other entities	3,285	3,450
	<u>6,313</u>	<u>3,450</u>
Total investments	<u>43,652</u>	<u>31,418</u>

Unlisted shares represent either direct or indirect, through a capital fund, investments in unlisted early-stage development enterprises that are generating value for shareholders through research and development activities.

The fair value of these investments varies with the type of investment held. Direct investments are measured approximate to cost, except where external factors provide better evidence for valuation. Indirect investments are valued as a proportion of the fund's net asset value (NAV). All investments held by the Company are considered to be long-term to enable ecosystem growth, and are non-current assets. The Company has designated all investments in shares to be measured at FVTOCI.

44 Inventories

	2022	2021
	\$ 000	\$ 000
Finished goods and goods for resale	<u>1,878</u>	<u>2,031</u>

45 Contract assets

	2022	2021
	\$ 000	\$ 000
Contract assets	<u>266,936</u>	<u>107,485</u>
Current	166,480	81,178
Non-current	<u>100,456</u>	<u>26,307</u>
	<u>266,936</u>	<u>107,485</u>

Arm Limited**Notes to the Company Financial Statements (continued)**
For the Year Ended 31 March 2022**45 Contract assets (continued)**

A reconciliation in the movement in contract assets is set out below:

	\$ 000
Balance at 1 April 2021	107,485
Performance obligations satisfied during the period	483,697
Transfers in the period from contract assets to trade receivables	(324,245)
Balance at 31 March 2022	<u>266,936</u>

46 Trade and other receivables

	2022 \$ 000	(As restated) 2021 \$ 000
Current assets		
Trade receivables	710,148	569,364
Loss allowance	(39,630)	(12,242)
Net trade receivables	<u>670,518</u>	<u>557,122</u>
Prepayments	34,832	29,972
Accrued income	430,991	336,301
Amounts due from Group undertakings	192,996	282,640
Other receivables	113,733	33,018
	<u>1,443,070</u>	<u>1,239,053</u>
Non-current assets		
Prepayments	12,714	9,277
Other receivables	102,896	110,906
	<u>115,610</u>	<u>120,183</u>
Current	1,443,070	1,239,053
Non-current	115,610	120,183
	<u>1,558,680</u>	<u>1,359,236</u>

Prior year figures have been restated, see note 1 for further details.

Accrued income relates to accrued royalties receivable in respect of sales made by third parties of products that incorporate the Group's IP.

47 Deferred tax

The movement of the deferred tax account is shown below:

	2022 \$ 000	2021 \$ 000
At 1 April	(139,877)	(180,043)
Income statement credit	(32,781)	25,309
Reclassification from current tax	10,292	17,133
Charge to other comprehensive income	(3,330)	(2,276)
At 31 March	<u>(165,696)</u>	<u>(139,877)</u>

Arm Limited**Notes to the Company Financial Statements (continued)****For the Year Ended 31 March 2022****47 Deferred tax (continued)**

The amount of deferred tax assets unrecognised at 31 March 2022 was \$nil (2021: \$nil).

No deferred tax has been recognised in respect of a further \$184.0 million (2021: \$156.6 million) of unremitted earnings of overseas subsidiaries because the Group is in a position to control the timing of the reversal of these differences and either it is possible that such differences will not reverse in the foreseeable future or no tax is payable on the reversal.

The movements in deferred tax assets and liabilities are shown below:

	Temporary differences relating to fixed assets \$ 000	Temporary differences relating to liabilities \$ 000	Total \$ 000
Deferred tax assets			
At 1 April 2020	7,869	12,257	20,126
Income statement credit	5,208	13,738	18,946
Movement from current tax assets	-	17,135	17,135
At 31 March 2021	13,077	43,130	56,207
At 1 April 2021	13,077	43,130	56,207
Income statement credit/(charge)	3,378	(5,665)	(2,287)
Movement from current tax assets	-	10,292	10,292
At 31 March 2022	16,455	47,757	64,212
	Amounts relating to intangible assets arising on acquisition \$ 000	Other \$ 000	Total \$ 000
Deferred tax liabilities			
At 1 April 2020	2,746	197,423	200,169
Income statement credit	(858)	(5,505)	(6,361)
Charge to other comprehensive income	-	2,276	2,276
At 31 March 2021	1,888	194,195	196,084
At 1 April 2021	1,888	194,195	196,084
Income statement (credit)/charge	(1,818)	32,312	30,494
Charge to other comprehensive income	-	3,330	3,330
At 31 March 2022	70	229,837	229,908

Arm Limited**Notes to the Company Financial Statements (continued)****For the Year Ended 31 March 2022****48 Trade and other payables**

	2022	2021
	\$ 000	\$ 000
Current liabilities		
Trade payables	80,879	25,299
Amounts owed to Group undertakings	432,661	231,407
Other taxation and social security	11,266	9,609
Employee related accruals	266,540	182,723
Accruals and other payables	92,695	112,430
	<u>884,041</u>	<u>561,468</u>
Non-current liabilities		
Employee related accruals	39,559	71,408
Accruals and other payables	55,622	42,453
	<u>95,181</u>	<u>113,861</u>
Current	884,041	561,468
Non-current	<u>95,181</u>	<u>113,861</u>
	<u>979,222</u>	<u>675,329</u>

49 Contract liabilities

	2022	(As restated) 2021
	\$ 000	\$ 000
Amounts related to contracts	<u>1,125,913</u>	<u>1,151,805</u>
Current	333,472	372,886
Non-current	<u>792,441</u>	<u>778,919</u>
	<u>1,125,913</u>	<u>1,151,805</u>

A reconciliation in the movement in contract liabilities is set out below:

	\$ 000
Balance at 1 April 2021	1,151,805
Cash received in advance of performance	527,352
Other adjustments	21,843
Amounts included in contract liabilities that was recognised as revenue during the period:	<u>(575,087)</u>
Balance at 31 March 2022	<u>1,125,913</u>

Prior year figures have been restated, see note 1 for further details.

Arm Limited**Notes to the Company Financial Statements (continued)**
For the Year Ended 31 March 2022**50 Provisions**

	2022	2021
	\$ 000	\$ 000
Dilapidations provision	11,317	12,615
Legal provision	3,000	1,000
Restructuring provision	18,182	-
Property rates provision	11,497	-
Other provision	2,892	1,022
	<u>46,888</u>	<u>14,637</u>
Current	35,999	4,418
Non-current	<u>10,890</u>	<u>10,219</u>
	<u>46,888</u>	<u>14,637</u>

	Dilapidations provision \$ 000	Legal provision \$ 000	Restructuring provision \$ 000
At 1 April 2021	12,615	1,000	-
Additional provision in the year	17	3,000	18,182
Utilisation and reversal of provision	(1,020)	(1,000)	-
Unwinding of discount	238	-	-
Exchange difference	(533)	-	-
At 31 March 2022	<u>11,317</u>	<u>3,000</u>	<u>18,182</u>

	Property rates provision \$ 000	Other provision \$ 000	Total \$ 000
At 1 April 2021	-	1,022	14,637
Additional provision in the year	11,497	2,908	35,604
Utilisation and reversal of provision	-	(1,038)	(3,058)
Unwinding of discount	-	-	238
Exchange difference	-	-	(533)
At 31 March 2022	<u>11,497</u>	<u>2,892</u>	<u>46,888</u>

Refer to note 26 for details of the provisions.

51 Capital and reserves**Share capital, share premium account, share-based payments, investment revaluation reserve and retained earnings**

See note 28 to the Group accounts for descriptions on the nature and purpose of share capital, share premium account and retained earnings.

Other reserves

Other reserves relates to the unrealised profit arising in 2005 on the Company's sale of its investment in Arm Inc (see note 28).